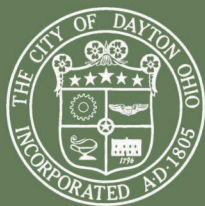


CITY OF DAYTON, OHIO • USA



Comprehensive Annual Financial Report

Fiscal year ended December 31, 2016

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2016 Administration



Nan Whaley
Mayor



Joey D. Williams
Commissioner



Matt Joseph
Commissioner



Jeffrey Mims
Commissioner



Chris Shaw
Commissioner



Shelley A. Dickstein
City Manager


DAYTON

City of Dayton, Ohio

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City of Dayton, Ohio

Comprehensive Annual Financial Report

January 1, 2016 – December 31, 2016

Prepared By

DEPARTMENT OF FINANCE

MISSION STATEMENT

As stewards of the public trust, our mission is to provide leadership, excellent services and participatory government to enhance the quality of life and sense of community for all who live, work, raise families, or conduct business in Dayton.



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Introduction

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CITY OF DAYTON, OHIO

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016**

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CITY OF DAYTON, OHIO

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CITY OF DAYTON, OHIO

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June 21, 2017

To the Honorable Mayor, Members of the City Commission, City Manager, and citizens of the City of Dayton, Ohio,

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Dayton, Ohio for the fiscal year ending December 31, 2016.

The City's Charter, Sections 44 and 78, prescribes the required accounting, audit, and examination procedures for the City of Dayton. The Auditor of State of Ohio, studies the City's system of internal control, conducts such tests that are necessary under the circumstances, and renders an opinion based upon the statements when taken in whole. Once again, the City has received an unmodified opinion from the independent auditor indicating that the financial statements are presented fairly. The opinion letter is included in the Financial Section of this report.

State law requires that every general-purpose local government publish a complete set of audited financial statements within six months of the close of each fiscal year. The CAFR was prepared using Generally Accepted Accounting Principles (GAAP) as applied to governmental units and contains all disclosures necessary to enable the reader to understand the City's financial affairs. City management is responsible for providing accurate and complete data for a fair and comprehensive presentation of its financial position.

The City's accounting system provides reasonable, but not absolute, assurance concerning the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management.

The City has included all of the funds for which it is financially accountable in the CAFR. The City is associated with nine jointly governed organizations which include: the Miami Valley Regional Planning Commission, Miami Valley Fire/EMS Alliance, Economic Development/Government Equity Program, Montgomery County Human Services Planning & Development Department, Hazardous Material Response Team, Montgomery County Regional Radio Council, Miami Valley Emergency Management Agency, Butler Township-Dayton JEDD (Joint Economic Development District), and Miami Township-Dayton JEDD.

This transmittal letter provides basic background information about the City, including a brief history, the state of our local economy and fiscal health and major financial policies. It also is a complement to the required Management's Discussion and Analysis (MD&A). The City's MD&A, which focuses on the government-wide statements, can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY OF DAYTON

Dayton was founded April 1, 1796, by a small group of settlers, seven years before the admission of Ohio to the Union in 1803. The town was incorporated in 1805 and given its name after Jonathan Dayton, a captain in the American Revolutionary War and youngest signer of the U.S. Constitution. In 1797, Daniel C. Cooper laid out the Mad River Road, the first overland connection between Cincinnati and Dayton. This opened up the "Mad River Country" at Dayton and the upper Miami Valley to settlement.

The City of Dayton was the first large city to adopt the Council Manager form of government in 1913. The Dayton City Commission is comprised of five members – a Mayor and four Commissioners. Each member is elected at-large on a non-partisan basis for four-year overlapping terms. All policy items are decided by the City Commission, which is empowered by the City Charter to pass ordinances and resolutions, adopt regulations, and appoint the City Manager.

Situated in southwestern Ohio, Dayton is the county seat and the largest city in Montgomery County. Dayton is a part of several other communities called the Greater Dayton Area, which include the cities of Vandalia, Trotwood, Kettering, Centerville, Beavercreek, Fairborn, West Carrollton, Huber Heights, Troy, and Miamisburg. As of the 2010 census, the population of Dayton was 141,527 (140,599 is the 2016 estimate population). The 2010 census for the Montgomery County population was 535,153 (531,239 is the 2016 estimate).

The City provides a full range of services that include water supply and treatment, sewer and storm water maintenance, wastewater treatment, airport services, fire and emergency medical services, police services, convention center, building inspection, community and economic development, recreation and parks, golf, street and bridge maintenance, waste collection, and a municipal court system.

The annual budget serves as the foundation for the City of Dayton's financial planning and control. The City Commission is required to adopt the original budget after the second Monday in January and the final budget by December 31. The budget is prepared by fund, department, and function or project.

LOCAL ECONOMY

The City of Dayton has a rich history with its citizens contributing controlled powered flight, the automobile self-starter, the cash register, and micro-encapsulation to the world. The City is working to reposition its economy to compete globally in the future with a diversified knowledge-based economy. After years of stagnant or declining growth, the Dayton regional economy has added jobs at a steady pace, growing by 26,100 jobs or 7.3% since the depths of the financial crisis in December 2009. Job growth over the past year has slowed somewhat, but the prior years' expansion has touched most sectors of the regional economy. New construction and business expansions are fueling optimism and reinforcing broader-based business and consumer confidence.

Driven by recent achievements, the City continues to concentrate development efforts on the following industries: Aerospace Research and Development; Information Technology; Human Sciences and Healthcare; and Advanced Materials and Manufacturing.

The Aerospace Hub designation continues to create an active base for the development of aerospace and advanced materials industries. This will generate growth in Dayton's aerospace research and development sector by attracting more companies specializing in technology, advanced manufacturing, and innovation. Throughout 2016, a multitude of strategic partners came together to promote Dayton as an ideal location for innovative development by leveraging our expanding technological expertise, highly-educated workforce, and proximity to Wright-Patterson Air Force Base.

Tech Town is Dayton's urban technology campus, where state-of-the-art tech facilities meet leading edge and emerging innovations for the acceleration of technology commercialization. The campus offers collaborative office, laboratory and research space for entrepreneurs, start-ups, established companies and major employers. Tech Town is home to over 30 companies with more than 450 employees. In 2016, three tenants of Tech Town- IFD, Applied Optimization, and Dayton Children's Medical experienced growth and expanded their operation on campus.

The City's Airport is also becoming a great hub of growth for various industries to support our local economy. The Dayton International Airport benefitted from two new major projects in 2016. PSA Airlines, the only airline based in the state of Ohio, opened its new 77,000 square feet maintenance hangar. The \$13 million hangar will house aircraft as well as act as a parts storage facility for PSA, which employs more than 624 in Dayton. The new facility will give PSA room for up to 42 new jobs. Second, Spectrum brands, manufacturer of STP and Armor All automotive care products, leased a newly constructed 570,000 manufacturing, Research and Development, and distribution facility the Airport. STP occupied the building in late December and is in the process of creating over 340 jobs at the site. This investment exceeds \$11 Million. The primary products are consumer automotive goods such as engine treatments, car waxes/washes, whitewall tire cleaners, etc.

In addition to aerospace, manufacturing and information technology companies, Dayton is home to multiple hospitals, health care companies and social service agencies. Together, the industries of health care and human services comprise a significant portion of the Dayton economy and contribute greatly to its success. For example, CareSource, one of our great community partners, continued to expand its footprint in Dayton, renovating and moving into space in the Kettering Tower. The Dayton Children's Hospital began construction of new eight floor, 260,000 square feet patient tower. The project is scheduled to be completed, with a total investment of \$140 Million later this year. The \$10 million renovation of the Montgomery County Job Center, which was completed in late 2016, now makes it easier and quicker for people to apply for and acquire public assistance, job training, employment-search services and other support and aid. The project consolidated most Montgomery County Department of Job and Family Services' divisions into one facility at 1111 S. Edwin C. Moses Blvd, and was the first major overhaul of the Job Center since it opened in June of 1997.

COMMUNITY AND ECONOMIC DEVELOPMENT

Downtown Development

Downtowns are the heartbeats of thriving cities. Dayton and its citizens and partners continue making significant progress in creating, maintaining, and growing an exciting downtown that attracts people, businesses and investment. This work supports a key strategy in the Greater Downtown Dayton Plan. In recent years the City of Dayton has invested more than \$20 million in major infrastructure improvements, such as street reconstruction, new bike racks and upgrades to public spaces. Interest from businesses, organizations and investors has increased — with many projects poised to grow jobs and positively impact the downtown environment in the long and short terms. Below is a list of some of the 2016 major project highlights:

- **Dayton Arcade** – Following a \$700,000 City investment to complete repairs to maintain the building and keep it weather tight for development opportunities, Maryland-based developer Cross Street Partners and the Miller-Valentine Group proposed a multi- million plan for revitalizing the arcade. The arcade complex, located in the heart of downtown Dayton, has seven interconnected buildings built around the iconic domed central rotunda.
- **Levitt Pavilion Dayton** - Dayton was selected by the national Mortimer & Mimi Levitt Foundation as the ninth city across the nation to join an esteemed network of outdoor Levitt performance venues, collectively presenting America's largest free concert series. The Levitt Foundation pledged \$500,000 in seed funding to help fund the construction of a permanent, state-of-the-art music venue at Fourth and Jefferson Streets in Dayton. Local fundraising is almost complete and the venue should be constructed in time for the 2018 concert season.
- **The Dayton Power and Light Building** at 617 E. Third Street in Webster Station is listed on the National Register of Historic Places and has been vacant in Dayton's Webster Station area for nearly 20 years. The \$3.7 million project began the historic renovation to rehabilitate the building into office space for Riazzi Asset Management, a wealth management company in 2016.
- **Roger Glass Stadium** - Chaminade Julianne Catholic High School completed its \$6 Million, 100,000 square foot athletic venue adjacent to the school.
- **Water Street** - The \$75 million mixed-use Water Street Development completed the 50,000 square foot commercial building and 9 new three-level parking structure in 2015. The commercial building and all 219 apartments are fully leased. A new hotel representing an \$11 million investment should begin construction this summer and be completed in 2018.

Complementing the tremendous redevelopment efforts in downtown, is an impressive growth in housing development for the Greater Downtown, particularly in the downtown core. Occupancy rates in downtown housing have increase to more than 95 percent for both owner- and renter-occupied properties. Some of the notable downtown housing projects in 2016 included:

- **DELCO Building (329 East First Street)** - This is the adaptive reuse of a six-story former manufacturing building into 129 market-rate apartments with 5,000-square-foot first-floor restaurant/retail space. The \$25 Million project attracted \$5 million in State Historic tax credits. Construction will be completed in 2017. One-third of the apartments are already pre-leased.
- Louisville-based developer City Properties Group purchased the **Weustoff & Getz building at 210 Wayne Ave.** and the building at **15 McDonough St.** in the area near the Oregon District being referred to as "Oregon East." City Properties Group plans to invest \$9 million to renovate 210 Wayne Ave., creating about 40 new apartments, and has proposed using the McDonough St. property for a mixed-use development.
- **Monument Walk Housing** - Construction of 17 new high-end townhomes near the intersection of West Monument and North Ludlow began in 2016, and completed this year.

Neighborhood and Infrastructure Development

The City firmly believes that strong, diverse, and thriving neighborhoods are keys to Dayton's livability and viability. Therefore, we continue to invest in neighborhood redevelopment projects and maintaining and improving our infrastructure. This reinvestment helps to stabilize neighborhoods, major transportation systems, and amenities while also encouraging investment from property owners and the business community. City administrators and our partners are aggressive and very successful in leveraging limited city resources with other state, local and federal resources to reinvest in all of its neighborhoods. Noted below are a few highlights of these projects:

- **East Fifth Street and Hamilton Avenue Bikeways**- The City completed the \$800,000 installation of bike lanes on East Fifth Street from Wayne Avenue to Hamilton Avenue and on Hamilton Avenue from East Fifth Street to Steve Whalen Boulevard Total.

- The City spent \$2.8 million in 2016 to **resurface alleys, residential streets, and thoroughfares** throughout the City totaling 27.17 lane miles.
- HUD announced our community would receive a **Choice Neighborhoods grant**. This \$1.5 million grant will be used to develop a blueprint to remake the DeSoto Bass and Hilltop Homes housing projects and the surrounding neighborhood into a mixed-income area.
- A total of \$8.2 million will be provided to the Montgomery County Land Bank by the Ohio Housing Finance Agency, with the City of Dayton expected to receive 70 to 75 percent of the funds to demolish about 500 vacant and dilapidated structures. The moneys are the remainder of federal "Hardest Hit" program funds aimed at stabilizing neighborhoods. The City of Dayton has demolished approximately 2,200 structures since 2009.

FINANCIAL HEALTH AND STABILITY

Moody's Investors Services (Moody's) confirmed Dayton's general obligation bond credit rating at Aa2 and our non-tax revenue debt rating at Aa3. Standard & Poor's (S&P) confirmed Dayton's general obligation bond credit rating at AA and our non-tax revenue debt rating at AA-. S&P confirmed Dayton's Aviation revenue bond credit rating at AA. In addition, Fitch retained Dayton's BBB+ rating on Aviation. Moody's assigned initial ratings of Aa2 to both the Water System Revenue Bonds and Sewer System Revenue Bonds issued by Dayton in 2015 were maintained. S&P assigned its AA- rating to both of those Revenue Bond issuances. The announcements from all three rating agencies attest to the continued confidence in Dayton's financial management practices and long-term stability.

RELEVANT FINANCIAL POLICIES AND BUDGET PLANS

The City maintains financial stability by continuing its well documented reputation of sound financial management and leadership. The City's long-standing policy is to maintain minimum reserve levels equal to six to ten weeks of operating expenses. The City Commission's policy is to apply the General Fund balance only to the following limited purposes: one-time strategic investments yielding a significant number of jobs; one-time strategic investments in technology reducing operating costs; and weathering a recession or economic shock during a maximum 24-month period.

After 20 years, the City updated its Investment Ordinance and Policies. Significant changes in the maturity and allowable investment products will assist the City in being more flexible to take advantage of market conditions and bring Dayton in line with State statutes. At the end of 2016, the City had increased its portfolio to \$369,678,242 and earned over \$2,037,531 in investment earnings.

In developing the 2016 General Fund budget, the goal was to maintain service levels with a \$1.5 million use of cash reserves to fund capital investments. However, given the budget performance in 2016, the \$1.5 million use of the reserve was not necessary.

The following is a list of the major 2016 budget solutions and initiatives:

1. Implemented a \$10 increase to the waste collection fee generating about \$600,000 on an annual basis.
2. Negotiated and implemented a change to the City's self-insurance plan to include coordination of benefits regarding spousal eligibility, estimated to save about \$1.2 million.
3. Participated in a new multi-jurisdiction radio system upgrade that is P25 compliant and will contain future operating costs.
4. Instituted a reorganization resulting in the reduction of a management and support staff position while aligning service delivery.
5. Implemented Dayton Open Data, the City's web-based transparency portal, providing 24-hour a day access to the City's entire budget.
6. Second year of a two-year commitment from the state of Ohio and Racino operators to provide host communities with a \$500,000 payment.

Looking forward to 2017, the passage of the 0.25 percentage point increase to the City's income tax rate will provide additional resources to bolster City services. Proceeds will fund vacant lot mowing, street paving, public safety service delivery as well as provide access to universal preschool for all 4 year-olds residing in the city of Dayton.

Internal and external changes affect how the City accounts and reports on its resources and expenses. One of the major external accounting standards that the City has to comply with and which is reflected in the 2016 financial statements is the Governmental Accounting Standards Board (GASB) Statement 68. In 2015, the City implemented GASB Statement No. 68 “Accounting I 9 and Financial Reporting for Pensions – an Amendment of GASB Statement 27” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68”. These statements required the City to record a net pension liability of \$239,977,326 on the Statement of Net Position. This liability represents the City’s proportionate share of the unfunded pension liability of Ohio Public Employees’ Retirement System (OPERS) and Ohio Police and Fire Pension Fund (OP&F). Factoring in the deferred inflows and deferred outflows related to pension, the overall impact on net position due to GASB 68 and 71 is a decrease of \$172,505,534. The amount a public employer must contribute to its pension obligation is capped by law – an act of the Ohio General Assembly. The City strongly believes that this unfunded liability will not be an obligation that the City will have to pay. The unfunded liability could be addressed in a combination of different ways, including by the individual employees, further reforms from current contributors, capital shifts from non-mandated health care benefits, and lastly at the local government level.

In addition, on August 14, 2015, the Government Accounting Standards Board (GASB) issued GASB Statement No. 77 - Tax Abatement Disclosures. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local government. GASB No. 77 requires disclosure of tax abatement information resulting from both (1) agreements that are entered into by the reporting governments and (2) agreements that are entered into by other governments and that reduce the reporting government’s tax revenues. The implementation of GASB 77 is disclosed in Notes 8 and 9.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Dayton for its CAFR for the year ended December 31, 2015, which represents the 34th consecutive year for this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and organized CAFR, whose contents conform to program standards judged by the GFOA. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to conform to the Certificate of Achievement program requirements, and the 2016 CAFR has been submitted to the GFOA for their review.

In September 2013, the Department of Finance was ISO 9001 certified. The Department maintains that certification annually thereafter through annual audits. The ISO 9001 certification requires an organization to demonstrate its ability to consistently provide products and services that meet customer needs and applicable statutory and regulatory requirements. This attainment is a great testament to the Finance Department’s commitment to provide accurate and excellent financial services for the City and its stakeholders.

I extend my sincere gratitude to the Finance Department, especially the Financial Analysis Team for their diligent work in completing the 2016 CAFR and embracing its mission with excellence. I would also like to thank all other City departments, including the City Manager’s Office and the Office of Management and Budget who work to ensure the City’s financial health is sound, and to the those who contributed and assisted in the preparation of the report. Finally, I expressly applaud and appreciate the unwavering and effective support of the Mayor and City Commissioners. It is through their excellent leadership and informed policy direction that the City administration can excel in managing Dayton’s finances.

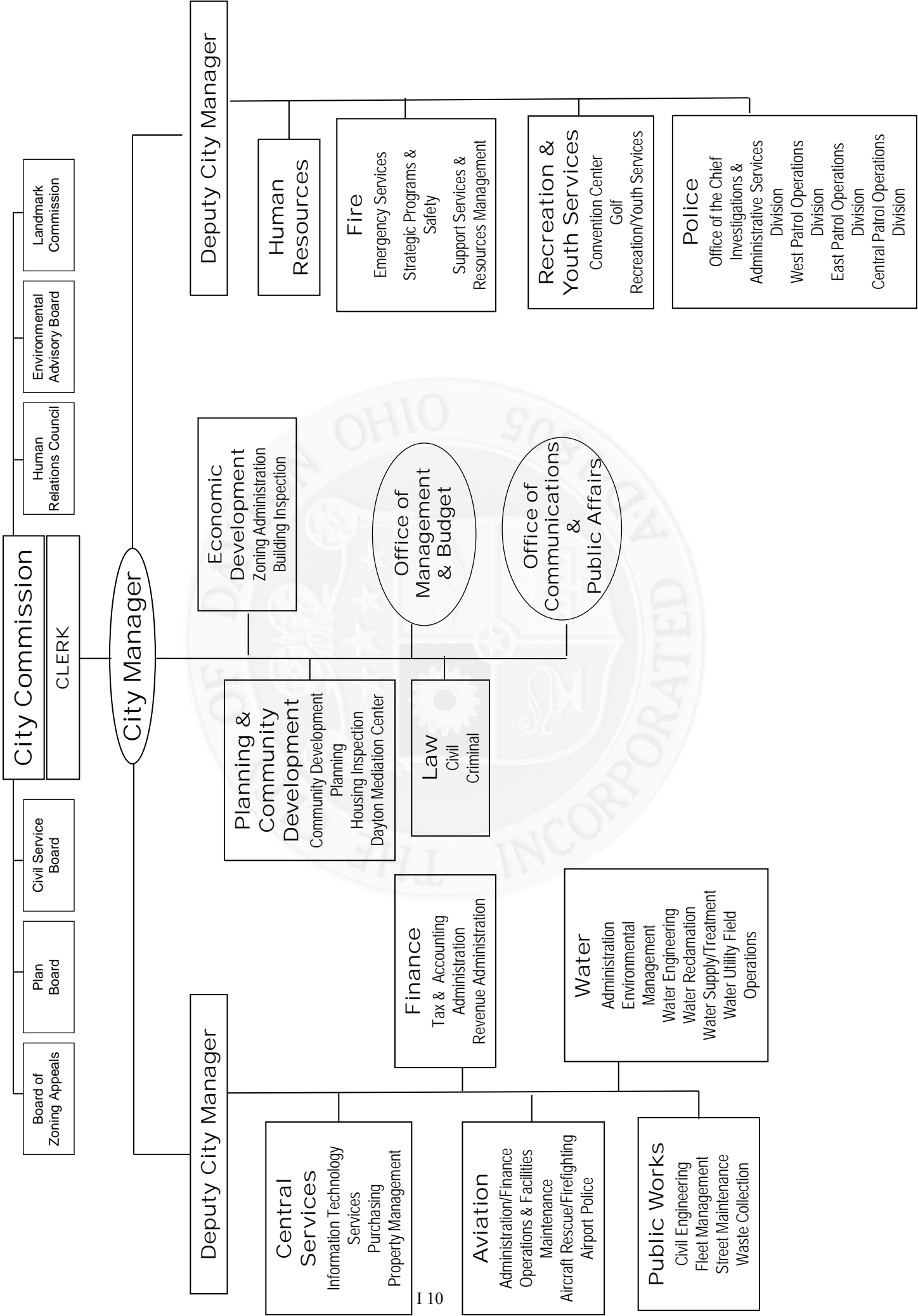
Respectfully submitted,



C. LaShea Lofton, Director
Department of Finance
City of Dayton, Ohio

Organization of the City of Dayton

Citizens of Dayton



CITY OF DAYTON, OHIO

**LIST OF ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2016**

ELECTED OFFICIALS

Mayor	Nan Whaley
Commissioner	Joey D. Williams
Commissioner	Matt Joseph
Commissioner	Jeffrey Mims
Commissioner	Chris Shaw

APPOINTED OFFICIALS

City Manager	Shelley Dickstein
Deputy City Manager	Tammi Clements
Deputy City Manager	Joseph Parlette
Director ~ Aviation	Terrence Slaybaugh
Director ~ Central Services	Pete Hager
Secretary and Chief Examiner ~ Civil Service	Maurice Evans
Director ~ City Commission	Kery Gray
Clerk of Commission ~ City Commission	Rashella Lavender
Director ~ Finance	C. LaShea Lofton
Director and Chief ~ Fire	Jeffrey Payne
Director ~ Human Relations Council	Catherine Crosby
Director ~ Human Resources	Kenneth Couch
Director ~ Law	Barbara Doseck
Director ~ Management and Budget	Barbara LaBrier
Clerk of Courts ~ Municipal Court	Mark Owens
Director ~ Planning and Community Development	Aaron Sorrell
Director and Chief ~ Police	Richard Biehl
Division Manager ~ Public Affairs	Toni Bankston
Director ~ Public Works	Fred Stovall
Director ~ Recreation & Youth Services	Robin Williams
Director ~ Water	Mike Powell



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
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Presented to

**City of Dayton
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO



Financial

FINANCIAL



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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Dayton
Montgomery County
101 West Third Street
Dayton, Ohio 45402

To the Honorable Mayor and City Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Montgomery County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

June 21, 2017

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CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

The Management's discussion and analysis of the City of Dayton's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2016. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- The total net position of the City increased \$18,283,113 in 2016. Net position of governmental activities increased \$934,204 or 0.23% over 2015 and net position of business-type activities increased \$17,348,909 or 2.89% over 2015.
- The City had \$206,493,002 in revenues related to governmental activities. General revenues accounted for \$143,578,407 or 69.53% of total governmental activities revenue. Program specific revenues accounted for \$62,914,595 or 30.47% of total governmental activities revenue.
- The City had \$205,057,798 in expenses related to governmental activities; \$62,914,595 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$142,143,203 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$143,578,407.
- The general fund had revenues of \$160,981,925 in 2016. The expenditures and other financing uses of the general fund totaled \$160,492,742 in 2016. The net increase in the fund balance for the general fund was \$489,183 or 0.78% above 2015.
- The debt service major fund had \$13,555,409 in revenues and other financing sources and \$12,774,795 in expenditures and other financing uses in 2016. The fund balance in the debt service fund was \$28,875,750, a 2.78% increase from 2015.
- The capital improvements major fund had \$32,149,532 in revenues and other financing sources and \$27,913,136 in expenditures in 2016. The fund balance for the capital improvements fund increased \$4,236,396 or 15.40% from 2015.
- Net position for the business-type activities, which are made up of the Dayton International Airport, Water, Sewer, Storm Water and Golf enterprise funds, increased in 2016 by \$17,348,909.
- The Dayton International Airport enterprise fund had \$33,795,464 in operating revenues and \$36,950,663 in operating expenses in 2016. The Dayton International Airport enterprise fund also had non-operating revenues of \$357,994, non-operating expenses of \$3,030,343 and capital contributions of \$9,959,857. The net position of the Dayton International Airport enterprise fund increased \$4,132,309 or 1.51% from 2015.
- The Water enterprise fund had \$54,266,052 in operating revenues and \$49,395,163 in operating expenses in 2016. The Water enterprise fund also had non-operating revenues of \$252,328, non-operating expenses of \$994,137 and capital contributions of \$3,447,881. The net position of the Water enterprise fund increased \$7,576,961 or 4.18% over 2015.
- The Sewer enterprise fund had \$32,782,502 in operating revenues and \$29,344,024 in operating expenses in 2016. The Sewer enterprise fund also had non-operating revenues of \$206,112, non-operating expenses of \$1,187,526 and capital contributions of \$198,233. The net position of the Sewer enterprise fund increased \$2,655,297 or 2.27% over 2015.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

- In the general fund, the actual revenues were \$115,295 higher than they were in the final budget and actual expenditures and other financing uses were \$9,393,618 less than the amount in the final budget. Budgeted revenues decreased \$333,400 from the original to the final budget. Budgeted expenditures and other financing uses increased \$5,646,300 from the original to the final budget.

Using this Comprehensive Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City as an entire financial operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, this review examines the City's financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. This change is important because it tells the reader that the financial position of the City has either improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and others.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

1. Governmental Activities - Most of the City's programs and services are reported including police, fire, street and highway maintenance, HUD program operations, community and economic development and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.
2. Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's airport, water, sewer, storm water and golf operations are reported.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page F 15 of this report.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major and nonmajor funds. The City's major governmental funds are the general fund, debt service fund and capital improvements fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages F 34 - F 41 of this report and further detail on the City's major and nonmajor governmental funds can be found in Note 2 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its airport, water, sewer, storm water and golf operations. The City reports the airport fund, water fund and sewer fund as major enterprise funds. These major funds are presented separately in the proprietary fund financial statements. The storm water fund and the golf fund are considered nonmajor funds and are combined into a single, aggregated presentation in the proprietary fund financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages F 42 - F 51 of this report.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page F 52 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages F 53 - F 115 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

Government-Wide Financial Analysis

The table below is a summary of the City's net position at December 31, 2016 compared to December 31, 2015.

	Net Position					
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>						
Current and other assets	\$ 232,275,728	\$ 228,783,156	\$ 264,396,096	\$ 239,515,608	\$ 496,671,824	\$ 468,298,764
Capital assets, net	<u>442,316,201</u>	<u>428,306,917</u>	<u>562,211,766</u>	<u>527,259,719</u>	<u>1,004,527,967</u>	<u>955,566,636</u>
Total assets	<u>674,591,929</u>	<u>657,090,073</u>	<u>826,607,862</u>	<u>766,775,327</u>	<u>1,501,199,791</u>	<u>1,423,865,400</u>
Deferred outflows	<u>54,654,307</u>	<u>22,662,092</u>	<u>19,821,150</u>	<u>7,799,454</u>	<u>74,475,457</u>	<u>30,461,546</u>
Total asset and deferred outflows	<u>729,246,236</u>	<u>679,752,165</u>	<u>846,429,012</u>	<u>774,574,781</u>	<u>1,575,675,248</u>	<u>1,454,326,946</u>
<u>Liabilities</u>						
Current liabilities	11,955,438	9,465,226	13,236,372	10,489,292	25,191,810	19,954,518
Long-term liabilities:						
Due within one year	16,936,603	17,972,509	9,362,161	9,185,196	26,298,764	27,157,705
Net pension liability	191,388,971	149,445,640	48,588,355	34,245,875	239,977,326	183,691,515
Other liabilities	<u>77,624,504</u>	<u>75,158,068</u>	<u>156,443,994</u>	<u>119,584,110</u>	<u>234,068,498</u>	<u>194,742,178</u>
Total liabilities	<u>297,905,516</u>	<u>252,041,443</u>	<u>227,630,882</u>	<u>173,504,473</u>	<u>525,536,398</u>	<u>425,545,916</u>
Deferred inflows	<u>17,400,940</u>	<u>14,705,146</u>	<u>983,634</u>	<u>604,721</u>	<u>18,384,574</u>	<u>15,309,867</u>
Total liabilities and deferred inflows	<u>315,306,456</u>	<u>266,746,589</u>	<u>228,614,516</u>	<u>174,109,194</u>	<u>543,920,972</u>	<u>440,855,783</u>
<u>Net Position</u>						
Net investment						
in capital assets	386,104,808	378,194,645	462,793,827	451,108,014	848,898,635	829,302,659
Restricted	57,403,783	63,381,287	9,514,757	-	66,918,540	63,381,287
Unrestricted	<u>(29,568,811)</u>	<u>(28,570,356)</u>	<u>145,505,912</u>	<u>149,357,573</u>	<u>115,937,101</u>	<u>120,787,217</u>
Total net position	<u>\$ 413,939,780</u>	<u>\$ 413,005,576</u>	<u>\$ 617,814,496</u>	<u>\$ 600,465,587</u>	<u>\$ 1,031,754,276</u>	<u>\$ 1,013,471,163</u>

In 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$1,031,754,276. At year-end, net positions were \$413,939,780 and \$617,814,496 for the governmental activities and the business-type activities, respectively.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

Capital assets reported on the government-wide statements represent the largest portion of the City's assets and deferred outflows. At year-end, capital assets represented 63.75% of total assets and deferred outflows. Capital assets include land, right of ways, construction in progress (CIP), improvements other than buildings, buildings and improvements, equipment, software, vehicles and infrastructure.

The City's net investment in capital assets at December 31, 2016, was \$386,104,808 and \$462,793,827 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2016, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net position, \$66,918,540, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a deficit balance of \$29,568,811

The table on the next page shows the changes in net position for 2016 and 2015.

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CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

Change in Net Position

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>	Business-Type Activities <u>2016</u>	Business-Type Activities <u>2015</u>	Total <u>2016</u>	Total <u>2015</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 33,718,351	\$ 35,770,242	\$ 118,447,667	\$ 116,668,496	\$ 152,166,018	\$ 152,438,738
Operating grants and contributions	15,921,133	21,715,944	-	-	15,921,133	21,715,944
Capital grants and contributions	<u>13,275,111</u>	<u>8,771,868</u>	<u>13,605,971</u>	<u>14,318,883</u>	<u>26,881,082</u>	<u>23,090,751</u>
Total program revenues	<u>62,914,595</u>	<u>66,258,054</u>	<u>132,053,638</u>	<u>130,987,379</u>	<u>194,968,233</u>	<u>197,245,433</u>
General revenues:						
Property taxes	12,530,977	12,155,647	-	-	12,530,977	12,155,647
Income taxes	109,275,331	107,633,425	-	-	109,275,331	107,633,425
Payment in lieu of taxes	1,639,517	1,599,086	-	-	1,639,517	1,599,086
Unrestricted grants	14,475,022	14,236,917	-	-	14,475,022	14,236,917
Interest	2,258,330	1,852,285	863,088	535,994	3,121,418	2,388,279
Miscellaneous	<u>3,399,230</u>	<u>3,598,806</u>	<u>12,535,999</u>	<u>11,606,143</u>	<u>15,935,229</u>	<u>15,204,949</u>
Total general revenues	<u>143,578,407</u>	<u>141,076,166</u>	<u>13,399,087</u>	<u>12,142,137</u>	<u>156,977,494</u>	<u>153,218,303</u>
Total revenues	<u>206,493,002</u>	<u>207,334,220</u>	<u>145,452,725</u>	<u>143,129,516</u>	<u>351,945,727</u>	<u>350,463,736</u>
Expenses:						
Downtown	3,653,125	3,796,899	-	-	3,653,125	3,796,899
Youth, education and human services	120,375	550,914	-	-	120,375	550,914
Community development	20,766,486	23,517,538	-	-	20,766,486	23,517,538
Economic development	10,273,961	15,401,684	-	-	10,273,961	15,401,684
Leadership and quality of life	43,181,443	46,597,492	-	-	43,181,443	46,597,492
Corporate responsibility	16,482,483	15,284,297	-	-	16,482,483	15,284,297
Public safety and justice	107,505,250	97,757,003	-	-	107,505,250	97,757,003
Interest and fiscal charges	3,074,675	2,942,225	-	-	3,074,675	2,942,225
Dayton International Airport	-	-	39,640,671	42,627,742	39,640,671	42,627,742
Water	-	-	49,944,784	45,493,204	49,944,784	45,493,204
Sewer	-	-	30,326,605	28,009,025	30,326,605	28,009,025
Other business-type activities:	-	-	-	-	-	-
Storm water	-	-	5,700,888	5,662,740	5,700,888	5,662,740
Golf	-	-	2,991,868	3,026,642	2,991,868	3,026,642
Total expenses	<u>205,057,798</u>	<u>205,848,052</u>	<u>128,604,816</u>	<u>124,819,353</u>	<u>333,662,614</u>	<u>330,667,405</u>
Increase in net position before transfers	1,435,204	1,486,168	16,847,909	18,310,163	18,283,113	19,796,331
Transfers	<u>(501,000)</u>	-	501,000	-	-	-
Change in net position	<u>934,204</u>	<u>1,486,168</u>	<u>17,348,909</u>	<u>18,310,163</u>	<u>18,283,113</u>	<u>19,796,331</u>
Net position at beginning of year	<u>413,005,576</u>	<u>411,519,408</u>	<u>600,465,587</u>	<u>582,155,424</u>	<u>1,013,471,163</u>	<u>993,674,832</u>
Net position at end of year	<u>\$ 413,939,780</u>	<u>\$ 413,005,576</u>	<u>\$ 617,814,496</u>	<u>\$ 600,465,587</u>	<u>\$ 1,031,754,276</u>	<u>\$ 1,013,471,163</u>

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

Governmental Activities

Governmental activities net position increased \$934,204 in 2016. This increase of 0.23% is due to the City's continuing efforts to reduce costs and increase operational efficiency.

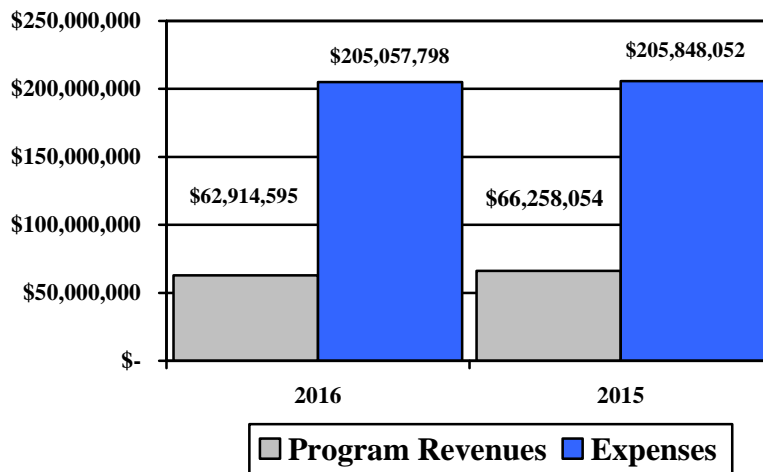
Public safety and justice, which primarily supports the operations of the police and fire departments accounted for \$107,505,250 of the total expenses of the City. These expenses were partially funded by \$18,653,411 in direct charges to users of the services. Leadership and quality of life expenses totaled \$43,181,443. Leadership and quality of life expenses were partially funded by \$7,049,529 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$15,921,133 in operating grants and contributions and \$13,275,111 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$6,665,736 subsidized leadership and quality of life and \$6,707,403 subsidized community development and neighborhoods. The total capital grants and contributions, \$13,275,111 subsidized leadership and quality of life programs.

General revenues totaled \$143,578,407, and amounted to 69.53% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$121,806,308. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$14,475,022.

The statement of activities on pages F 32 – F 33 shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF DAYTON, OHIO

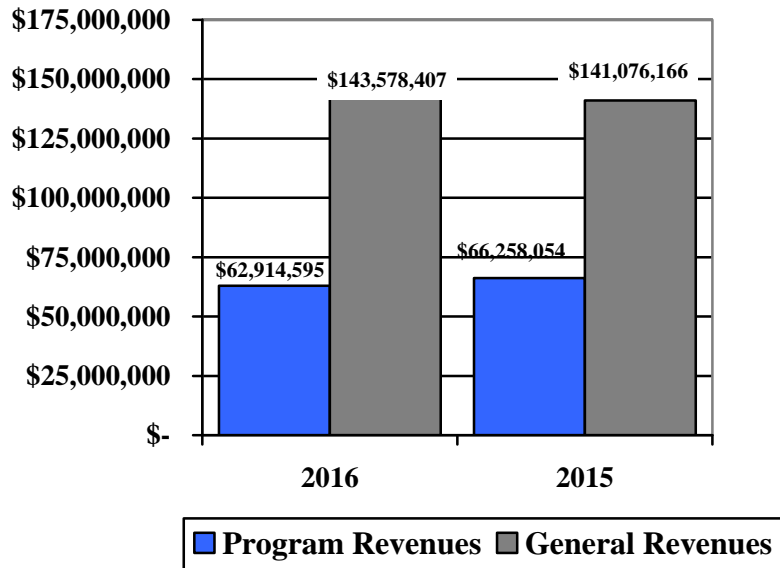
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

Governmental Activities

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Program Expenses:				
Downtown	\$ 3,653,125	\$ 3,027,385	\$ 3,796,899	\$ 3,134,612
Youth, education and human services	120,375	101,529	550,914	126,482
Community development and neighborhoods	20,766,486	11,664,451	23,517,538	10,119,614
Economic development	10,273,961	7,170,902	15,401,684	11,128,320
Leadership and quality of life	43,181,443	16,191,067	46,597,492	23,826,104
Corporate responsibility	16,482,483	13,626,097	15,284,297	12,245,904
Public safety and justice	107,505,250	87,287,097	97,757,003	76,235,508
Interest and fiscal charges	<u>3,074,675</u>	<u>3,074,675</u>	<u>2,942,225</u>	<u>2,773,454</u>
Total Expenses	<u>\$ 205,057,798</u>	<u>\$ 142,143,203</u>	<u>\$ 205,848,052</u>	<u>\$ 139,589,998</u>

The dependence upon general revenues for governmental activities is apparent, with 69.32% of expenses supported through taxes and other general revenues. Total governmental expenses were \$205,057,798, program revenues were \$62,914,595 and general revenues were \$143,578,407.

Governmental Activities – General and Program Revenues



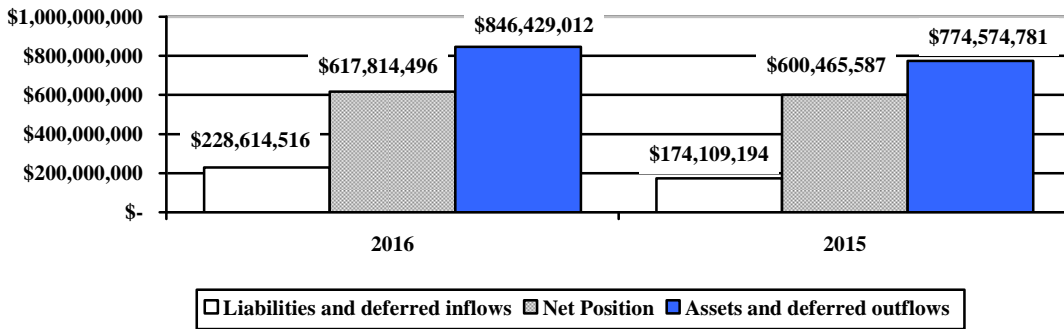
CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

Business-Type Activities

Business-type activities include the Dayton International Airport, Water, Sewer, Storm Water and Golf enterprise funds. Overall, the net position of the business-type activities increased \$17,348,909 in 2016. This increase of 2.89% is due to the City's continuing efforts to reduce costs and increase operational efficiency. These programs had program revenues of \$132,053,638, general revenues of \$13,399,087 and expenses of \$128,604,816 for 2016. The graph below shows the business-type activities assets, deferred outflows, liabilities, deferred inflows and net position at year-end (see pages F 30 and F 31).

Net Position in Business - Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

The City's governmental funds (as presented on the balance sheet on page F 34 - F 35) reported a combined fund balance of \$137,622,732 which is \$5,678,070 higher than last year's total of \$131,944,662. The table below indicates the fund balances and the total change in fund balances as of December 31, 2016 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>12/31/16</u>	<u>Fund Balances</u> <u>12/31/15</u>	<u>Increase/</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 62,928,663	\$ 62,439,480	\$ 489,183
Debt service	28,875,750	28,095,136	780,614
Capital improvement	31,752,618	27,516,222	4,236,396
Other nonmajor governmental funds	<u>14,065,701</u>	<u>13,893,824</u>	<u>171,877</u>
Total	<u>\$ 137,622,732</u>	<u>\$ 131,944,662</u>	<u>\$ 5,678,070</u>

General Fund

The City's general fund balance increased \$489,183 (see the table above).

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Income, property and other taxes	\$ 122,199,578	\$ 120,533,183	1.38 %
Charges for services	26,669,050	27,552,585	(3.21) %
Licenses and permits	1,557,705	1,512,717	2.97 %
Fines and forfeitures	638,978	2,181,301	(70.71) %
Investment income	2,627,673	1,728,300	52.04 %
Special assessments	198,279	153,980	28.77 %
Intergovernmental	4,365,137	4,199,407	3.95 %
Other	<u>2,725,525</u>	<u>3,192,284</u>	(14.62) %
Total	<u>\$ 160,981,925</u>	<u>\$ 161,053,757</u>	(0.04) %

The above table assists in illustrating the revenues of the general fund. Overall revenues of the general fund decreased \$71,832. The most significant increases were in the areas of special assessments and investment revenue. The decrease in fines and forfeitures was a result of the end of the public safety photo enforcement program, which was repealed by the State legislature. Investment income increased \$899,373 or 52.04% due to an increase in interest rates on portfolio investments.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
Downtown	\$ 3,266,286	\$ 3,217,932	1.50 %
Youth, education and human services	104,913	143,310	(26.79) %
Community development and neighborhoods	12,396,711	12,789,481	(3.07) %
Economic development	6,649,167	6,251,957	6.35 %
Leadership and quality of life	22,661,555	22,419,522	1.08 %
Corporate responsibility	14,879,137	14,203,205	4.76 %
Public safety and justice	<u>95,257,822</u>	<u>91,794,509</u>	3.77 %
Total	<u>\$ 155,215,591</u>	<u>\$ 150,819,916</u>	2.91 %

Overall expenditures of the general fund increased by \$4,395,675 or 2.91%. The largest expenditure of the City, public safety and justice, increased \$3,463,313 or 3.77%. The largest decrease in expenditures was in community development and neighborhoods, which had a decrease of \$392,770. This fluctuation is due to timing of development projects. Youth, education, and human services had the largest percentage decrease, 26.79%. However, this expenditure category only represents 0.07% of the general fund expenditures.

Debt Service

The City's debt service fund balance increased \$780,614 (see page F 38). The increase in fund balance was primarily due to the receipt of premiums on bonds. The following tables illustrate the revenues and expenditures of the debt service fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 6,455,524	\$ 6,414,253	0.64 %
Intergovernmental	2,470,318	2,439,548	1.26 %
Special assessments	36,801	54,829	(32.88) %
Investment income	-	24,454	(100.00) %
Other	<u>187,764</u>	<u>389,879</u>	(51.84) %
Total	<u>\$ 9,150,407</u>	<u>\$ 9,322,963</u>	(1.85) %

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
Corporate responsibility	\$ 101,704	\$ 173,162	(41.27) %
Bond issuance costs	267,816	-	100.00 %
Principal retirement	6,731,095	6,472,303	4.00 %
Interest and fiscal charges	<u>2,797,870</u>	<u>3,003,297</u>	(6.84) %
Total	<u>\$ 9,898,485</u>	<u>\$ 9,648,762</u>	2.59 %

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)

The City issued bonds in 2016, which resulted in bond issuance costs. The decrease in investment income is due to changes in the allocation of interest among the City's various funds. Special assessment revenue decreased due to the end of sidewalk and curb assessments from previous years. The City did not have any new sidewalk and curb assessments during 2016.

Capital Improvements

The City's capital improvement fund's fund balance increased by \$4,236,396 or 15.40% (see page F 38). The City issued \$9,500,000 in general obligation bonds for capital improvements and OPWC loans of \$1,099,888. The tables below illustrate the revenues and expenditures of the capital improvement fund. Revenues increased \$6,180,592 or 58.03%. The tax revenue is used to reduce the balance of the manuscript debt. Expenditures increased \$4,761,617 or 21.13%. In addition to the revenues listed on the chart below, the capital improvements fund had \$4,717,498 in transfers from the general fund to be used for capital improvements. The debt service payments made from the capital improvement fund were for capital leases, an OPWC loan and debt payments made with payment in lieu of tax revenue.

	2016	2015	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 321,800	\$ 321,800	- %
Charges for services	554,978	504,338	10.04 %
Intergovernmental	13,950,686	7,495,215	86.13 %
Special assessments	-	936	(100.00) %
Payments in lieu of taxes	1,687,149	1,675,558	0.69 %
Other	<u>317,533</u>	<u>653,707</u>	(51.43) %
Total	<u>\$ 16,832,146</u>	<u>\$ 10,651,554</u>	58.03 %

	2016	2015	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Expenditures</u>			
Downtown	\$ 201,876	\$ 280,000	(27.90) %
Community development and neighbors	629,010	957,105	(34.28) %
Economic development	1,513,209	2,547,101	(40.59) %
Leadership and quality of life	1,858,318	1,991,055	(6.67) %
Corporate responsibility	274,450	243,688	12.62 %
Public safety and justice	29,424	-	100.00 %
Capital outlay	20,836,262	15,878,315	31.22 %
Debt service	<u>1,955,082</u>	<u>638,750</u>	206.08 %
Total	<u>\$ 27,297,631</u>	<u>\$ 22,536,014</u>	21.13 %

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

2016 Budgeting Highlights – General Fund

The City's budgeting process is prescribed by the Ohio Revised Code (ORC) and the City of Dayton Charter, which was amended by voters in November of 2015. The budget is a representation of the City's various adopted appropriations. The annual expenditure budget is limited by the amount of anticipated revenues and available cash balances certified by the Budget Commission in accordance with the Ohio Revised Code. Given that the City's plans or priorities may change during the year or economic conditions may improve or deteriorate, revisions to the original budget are customary and necessary. For instance, if forecasted revenues are adjusted during the course of the year due to actual revenue performance, then the certificate of available resources and the appropriation should also be adjusted to ensure expenditures do not exceed available resources. In addition, if funding priorities change during the fiscal year, resources may be reallocated from one activity to another, necessitating a corresponding change in budget.

Budgetary information is presented for the general fund on page F 41/F126. With respect to changes to the general fund, the final budget reflects projected revenues were \$333,400 less than the original budget. Consequently, actual revenues had a variance of (\$218,105) or 0.1% compared to the original budget and \$115,295 or 0.07% compared to the final budget. Actual general fund revenues performed better in four categories relative to the original forecast and underperformed in six. As it relates to the final budget, actual revenues exceeded the budget in four categories but fell short in six, albeit in three categories by very small amounts. The variance to the original budget was 0.1% while the variance also measured 0.07% to the final budget.

A total of three revenue categories realized a variance in excess of 10% when compared to the original budget. Investment income performed \$435,741 better than originally budgeted due to higher returns and the other revenue category was \$584,381 higher than the estimate due to higher than anticipated miscellaneous revenue.

Actual expenditures in 2016 were \$6.5 million or 4% under (favorable) the original budget and the final budget was \$5.3 million or 3.2% higher than actuals. Three of the eight programmatic areas realized variances in excess of 10%. Youth, education and human services was budgeted at \$62,000 but actual expenditures came in at \$110,506. Economic development reported expenditures \$1,140,205 or 14% lower than the original budget. Finally, the "other expenditure" category realized a \$618,942 or 34% favorable variance to the original budget. This variance is a function of allowing some flexibility in contingency funds during the year.

Actual operating transfers out were \$2.8 million over the original budget and \$4.04 million under the final budget. A higher level of transfers was incorporated into the final budget given the better than planned revenue growth and the lower than planned spending levels.

In both the original and final budget, use of fund balance was anticipated for special project activities as well as for investments. Funds for special projects are often received in one year and spent in later years, which was the case in 2016 especially as it relates to economic development projects. With the economy improving, economic development activity has picked up pace, which bodes well for future revenue growth. When the adjustment is made for prior year encumbrances, the general fund ended the year with a \$59.04 million fund balance, which is \$1,194,695 more than 2015.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The City's business-type funds (as presented on the statement of net position on pages F 42 - F 45) reported a combined net position of \$616,717,829 which is \$16,273,242 above last year's total of \$600,444,587.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

The following table indicates the net position and the total change in net position as of December 31, 2016 for all major and nonmajor business-type funds.

	<u>Net Position</u> <u>12/31/16</u>	<u>Net Position</u> <u>12/31/15</u>	<u>Increase</u> <u>(decrease)</u>
Major Funds:			
Dayton International Airport	\$ 277,814,782	\$ 273,682,473	\$ 4,132,309
Water	188,714,990	181,138,029	7,576,961
Sewer	119,681,298	117,026,001	2,655,297
Other Business-type activities	<u>30,506,759</u>	<u>28,598,084</u>	<u>1,908,675</u>
Total	<u>\$ 616,717,829</u>	<u>\$ 600,444,587</u>	<u>\$ 16,273,242</u>

Dayton International Airport (DIA)

The City's Dayton International Airport net position increased by \$4,132,309 or 1.51%. The Dayton International Airport issued \$33,050,000 in revenue bonds to be used for capital improvements.

The following tables illustrate the revenues and expenses of the Dayton International Airport fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Revenues</u>			
Charges for services	\$ 26,086,061	\$ 24,974,019	4.45 %
Other	<u>7,709,403</u>	<u>6,401,655</u>	20.43 %
Total	<u>\$ 33,795,464</u>	<u>\$ 31,375,674</u>	7.71 %

Operating revenues increased by \$2,419,790 or 7.71%.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Expenses</u>			
Personal services	\$ 9,513,475	\$ 9,450,038	0.67 %
Benefit payments	4,501,181	3,628,943	24.04 %
Contractual services	3,908,257	9,511,786	(58.91) %
Materials and supplies	1,316,973	1,427,726	(7.76) %
Utilities	1,960,904	1,796,313	9.16 %
Depreciation	12,575,510	11,810,073	6.48 %
Other	<u>3,174,363</u>	<u>2,160,242</u>	46.94 %
Total	<u>\$ 36,950,663</u>	<u>\$ 39,785,121</u>	(7.12) %

Operating expenses decreased by \$2,834,458 or 7.12%.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Nonoperating Revenues (Expenses)</u>			
Interest revenue	\$ 502,165	\$ 155,821	222.27 %
Interest expense and fiscal charges	(2,361,402)	(1,830,912)	28.97 %
Increase(decrease) in fair market value of investments	(144,171)	1,714	(8,511.38) %
Other financing sources	-	(34,097)	(100.00) %
Bond issuance costs	(668,941)	(796,383)	(16.00) %
Capital contributions	<u>9,959,857</u>	<u>14,310,555</u>	(30.40) %
Total	<u>\$ 7,287,508</u>	<u>\$ 11,806,698</u>	(38.28) %

Nonoperating revenues and expenses decreased by \$4,519,190 or 38.28%. Capital contributions for 2015 and 2016 were primarily for Federal grants that are being used for capital improvements, including significant upgrades to the terminal, along with passenger facility charges.

Water

The City's Water fund net position increased by \$7,576,961 or 4.18% (see the table on F 20).

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Revenues</u>			
Charges for services	\$ 49,912,404	\$ 47,377,507	5.35 %
Other	<u>4,353,648</u>	<u>4,774,034</u>	(8.81) %
Total	<u>\$ 54,266,052</u>	<u>\$ 52,151,541</u>	4.05 %

Operating revenues increased by \$2,114,511 or 4.05%.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Expenses</u>			
Personal services	\$ 15,588,070	\$ 14,985,393	4.02 %
Benefit payments	7,202,144	5,663,714	27.16 %
Contractual services	6,539,604	4,395,357	48.78 %
Materials and supplies	4,530,942	4,087,112	10.86 %
Utilities	5,289,696	5,885,292	(10.12) %
Depreciation	7,098,170	6,523,768	8.80 %
Other	<u>3,146,537</u>	<u>2,829,928</u>	11.19 %
Total	<u>\$ 49,395,163</u>	<u>\$ 44,370,564</u>	11.32 %

Operating expenses increased by \$5,024,599 or 11.32%.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

	<u>2016</u>	<u>2015</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Nonoperating Revenues (Expenses)</u>			
Interest revenue	\$ 355,939	\$ 186,277	91.08 %
Interest expense and fiscal charges	(994,137)	(562,893)	76.61 %
Increase (decrease) in fair market value of investments	(103,611)	691	(15,094.36) %
Bond issuance costs	-	(223,302)	(100.00) %
Capital contributions	3,447,881	8,328	41,301.07 %
Loss on sale of capital assets	-	(126,633)	(100.00) %
Total	<u>\$ 2,706,072</u>	<u>\$ (717,532)</u>	477.14 %

During 2016, the City received \$3,205,200 in donated water lines from the City of Clayton, included as capital contributions.

Sewer

The City's Sewer fund net position increased by \$2,655,297 or 2.27% (see page F 20).

	<u>2016</u>	<u>2015</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Operating Revenues</u>			
Charges for services	\$ 32,309,554	\$ 33,960,790	(4.86) %
Other	472,948	411,674	14.88 %
Total	<u>\$ 32,782,502</u>	<u>\$ 34,372,464</u>	(4.63) %

Operating revenues decreased by \$1,589,962 or 4.63%.

	<u>2016</u>	<u>2015</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Operating Expenses</u>			
Personal services	\$ 7,885,915	\$ 7,458,458	5.73 %
Benefit payments	3,663,004	2,752,799	33.06 %
Contractual services	7,092,012	6,038,700	17.44 %
Materials and supplies	2,115,291	2,216,479	(4.57) %
Utilities	2,733,299	3,011,278	(9.23) %
Depreciation	4,514,490	4,025,363	12.15 %
Other	1,340,013	1,325,282	1.11 %
Total	<u>\$ 29,344,024</u>	<u>\$ 26,828,359</u>	9.38 %

Operating expenses increased by \$2,515,665 or 9.38%.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

	2016	2015	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Nonoperating Revenues (Expenses)</u>			
Interest revenue	\$ 272,494	\$ 189,033	44.15 %
Increase(decrease) in fair market value of investments	(66,382)	2,136	(3,207.77) %
Interest expense and fiscal charges	(1,187,526)	(825,505)	43.85 %
Loss on sale of capital assets	-	(19,685)	(100.00) %
Bond issuance costs	-	(231,435)	(100.00)
Capital contributions	<u>198,233</u>	<u>-</u>	100.00 %
Total	<u>\$ (783,181)</u>	<u>\$ (885,456)</u>	11.55 %

Nonoperating revenues and expenses in 2016 increased by \$102,275 or 11.55%.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2016, the City had \$1,004,527,967 (net of accumulated depreciation) invested in land, right of ways, buildings and improvements, improvements other than buildings, equipment, software, vehicles, infrastructure and construction in progress (CIP). Of this total, \$442,316,201 was reported in governmental activities and \$562,211,766 was reported in business-type activities. See Note 12 in the basic financial statements for additional capital asset disclosure.

The following table shows December 31, 2016 balances compared to December 31, 2015:

**Capital Assets at December 31
(Net of Depreciation)**

	Governmental Activities 2016	Governmental Activities 2015	Business-Type Activities 2016	Business-Type Activities 2015	Total 2016	Total 2015
Land	\$ 69,980,251	\$ 69,980,251	\$ 42,965,353	\$ 42,965,353	\$ 112,945,604	\$ 112,945,604
Construction in progress	21,568,904	11,091,570	27,701,409	34,696,930	49,270,313	45,788,500
Right of ways	14,007,402	14,007,402	-	-	14,007,402	14,007,402
Buildings and improvements	69,242,804	65,099,072	124,041,991	127,106,680	193,284,795	192,205,752
Improvements other than buildings (IOTB)	18,007,916	18,870,817	345,909,016	300,236,164	363,916,932	319,106,981
Equipment	5,096,277	6,742,834	4,954,010	5,789,635	10,050,287	12,532,469
Software	597,066	660,035	1,542,025	1,044,846	2,139,091	1,704,881
Vehicles	14,066,899	12,535,943	15,097,962	15,420,111	29,164,861	27,956,054
Infrastructure	<u>229,748,682</u>	<u>229,318,993</u>	<u>-</u>	<u>-</u>	<u>229,748,682</u>	<u>229,318,993</u>
Total	<u>\$ 442,316,201</u>	<u>\$ 428,306,917</u>	<u>\$ 562,211,766</u>	<u>\$ 527,259,719</u>	<u>\$ 1,004,527,967</u>	<u>\$ 955,566,636</u>

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

The City's largest governmental capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks, curbs, annexed roadways, street lighting, and traffic signals. These items are immovable and of value only to the City; however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 51.95% of the City's total governmental capital assets.

The City's largest business-type capital asset category is improvements other than buildings (I.O.T.B) which primarily includes runways for the airport, water lines, sewer lines and storm water catch basins. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's I.O.T.B (cost less accumulated depreciation) represents approximately 61.53% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2016 and 2015:

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
General obligation bonds	\$ 39,730,000	\$ 34,245,000
Revenue bonds	<u>24,055,000</u>	<u>26,200,000</u>
Total bonds	<u>63,785,000</u>	<u>60,445,000</u>
OPWC loans	1,116,405	555,099
State infrastructure bank loan	2,568,125	2,500,000
State infrastructure bank bonds	3,465,000	3,540,000
Lease purchase agreement	-	1,621,171
Ohio Department of Development Loan	<u>2,440,804</u>	<u>2,694,829</u>
Total loans	<u>9,590,334</u>	<u>10,911,099</u>
Total long-term obligations	<u>\$ 73,375,334</u>	<u>\$ 71,356,099</u>

CITY OF DAYTON, OHIO

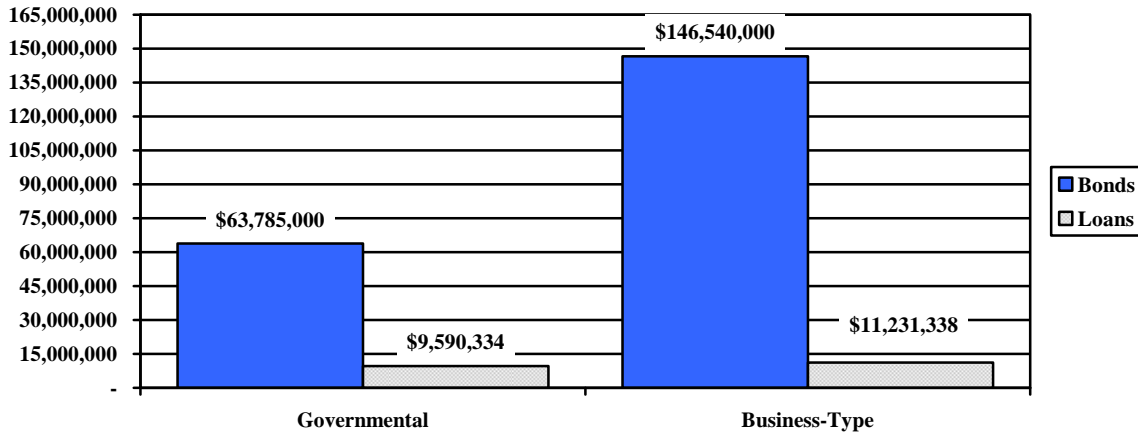
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

	Business-type Activities <u>2016</u>	Business-type Activities <u>2015</u>
General obligation bonds	\$ 38,415,000	\$ 35,035,000
Revenue bonds	<u>108,125,000</u>	<u>77,960,000</u>
Total bonds	<u>146,540,000</u>	<u>112,995,000</u>
Lease purchase agreements	-	526,651
OWDA loans	6,031,338	6,862,691
OPWC loans	200,000	250,000
Jobs Ohio loans	<u>5,000,000</u>	<u>-</u>
Total loans	<u>11,231,338</u>	<u>7,639,342</u>
Total long-term obligations	<u>\$ 157,771,338</u>	<u>\$120,634,342</u>

See Note 15 in the basic financial statements for additional disclosures and detail regarding the City's debt activity.

A comparison of the long-term obligations by category is depicted in the chart below.

Long-term Obligations



CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

Economic Outlook and the 2017 Budget

After years of stagnant or declining growth, the economy of the Dayton region has turned the corner and registered three years of continuous job growth. New construction and business expansions are fueling optimism and reinforcing broader-based business and consumer confidence.

Underscoring the strength of the labor market is a flurry of economic development activity in the city. Developers of the Water Street District recently completed the Delco Lofts, an adaptive reuse project that transformed a former 6-story factory building into 129 market rate units overlooking the Dragons Baseball Stadium. The next phase of development includes a 115-room Fairfield Inn and Suites and a 50,000 square foot office building. Children's Medical Center's \$140 million campus expansion is nearing completion. And CareSource, Ohio's largest Medicaid managed care provider, plans to expand its footprint downtown with construction of a new 7-story office building.

The Dayton International Airport boasted two new major projects in 2016. PSA Airlines, the only airline based in the state of Ohio, opened its new 77,000 square feet maintenance hangar. Spectrum Brands, manufacturer of STP and Armor All automotive care products, began construction on a 570,000 square foot distribution center that will employ an estimated 350 people.

The Dayton regional economy has added jobs at a steady pace, growing by 26,100 jobs or 7.3% since the depths of the financial crisis in December 2009. Job growth over the past year has slowed somewhat, but the prior years' expansion has touched most sectors of the regional economy.

The City's General Fund Performance has remained largely stable despite continued state actions that have curtailed revenue growth. Total General Fund sources for 2016 climbed a slight 0.2% or \$373,000. Tepid growth was largely the result of legislative actions taken by the state including further cuts to the Local Government Fund and the virtual elimination of the public safety photo enforcement program mid-2015. Additionally, charges for services dipped as a result of the loss of the Riverside waste collection contract. Partially offsetting these declines was a moderate increase in Income Tax collections corresponding with the region's job growth.

Looking forward to 2017, the passage of Issue 9, the 0.25 percentage point increase to the City's income tax rate will provide additional resources to bolster City services. Proceeds will fund vacant lot mowing, street paving, public safety service delivery as well as provide access to universal preschool for all 4 year-olds residing in the city of Dayton.

Employment and the Income Tax

The components of the Income Tax shed light on the condition and direction of the Dayton economy. Withholdings or taxes on wage-earners in the city grew by \$2.8 million or 3% on stronger job growth and rising wages. Such growth is a necessary precursor to any economic recovery and expansion. 2016 saw the third annual increase in withholdings since 2006. Despite this increase, taxes on business profits fell for the second consecutive year, dropping \$1.1 million or over 9%. Taken together, Income Tax collections enjoyed the highest growth rate in 20 years, climbing 4.6% for the year in 2015. While growth slowed in 2016 to a more modest rate of 1.2% or \$1.3 million, collections still registered their highest level since 2008.

The original forecast for 2017 Income Tax revenues are \$111.3 million without counting the expected increase resulting from the passage of Issue 9. This represents a 2.3% increase, which exceeds the City's 1.6% long-term trend based on expectations of a continued economic recovery and expansion. The 2017 estimate for Issue 9 proceeds is \$11 million.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

Property Values and the Property Tax

Although the city of Dayton did not experience a significant appreciation in home values that many other areas saw during the housing boom, we were not immune to the precipitous drop in values brought about by the subsequent housing bust. The decline has generally continued with the County Auditor's 2014 revaluation, resulting in 1,854 property owners receiving reductions to their property values through the board of revision process. The Auditor's Office will be performing a triennial revaluation during 2017, impacting 2018 collections.

Property values remain 26% below their 2006 peak and are at their lowest levels since 2000. According to the American Community Survey, the city of Dayton had 16,938 vacant properties in 2016. This represents nearly 23% of all properties in the city. Of these, nearly 6,000 were completely abandoned, leaving the city with a significant liability in the form of lawn maintenance. In fact, a part of Issue 9 proceeds will be used to ensure that all vacant lots are mowed at least once per month. However, the overall condition of the city's housing stock has improved via the City's aggressive demolition program. Funded with State, Federal and City resources, 1,958 blighted structures have been removed from the city landscape since 2011.

At the same time that values were falling, delinquencies were predictably on the rise. In 2009, 11.6% of the current levy was delinquent. By 2012, that number had increased to 14.7%, but was trimmed to 13.1% in 2014. Encouragingly, the rate dropped to 11.6% in 2015 and 11.0% in 2016. The total collection rate for the city in 2016 was 96.7%, which represents the highest rate since the end of the housing crisis. Additionally, since 2012, 0.5 mills have been shifted from the General Fund to the Bond Retirement Fund to help offset the loss of revenues due to the recent decline in values.

The original forecast for 2017 Property and Other Taxes is \$6.0 million (with Property Taxes at \$5.4 million), representing a slight increase of 0.3% from 2016 due in large part to decreased delinquency rates.

Casino Tax Revenue

On November 3, 2009, Ohio voters passed Issue 3 that amended the Ohio constitution permitting four casinos in Cincinnati, Columbus, Cleveland and Toledo. The amendment provided for a 33% tax on gross casino revenues, 90% of which is to be distributed to county governments (51%), school districts (34%), and the host city (5%). If the most populated city located in a county had a population over 80,000, then that city (Dayton included) would receive 50% of the county distribution.

All four casinos were operational by the first quarter of 2013. Casino revenues for the City were \$3.2 million in 2014, which was the first full year of operation for all four casinos followed by \$3.1 million in 2015 and 2016, respectively. With video-lottery gambling at the seven racinos (horse-racing combined with gambling) the market appears saturated, which has resulted in flat revenues. Hence, the estimate for 2017 remains at \$3.1 million and is recorded under the intergovernmental category.

Other Sources

Given the continued reductions in state-shared revenues and moderate growth in Income Tax as well as other revenues, it was necessary to balance the 2017 budget with \$1.67 million of the cash reserve.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

Cost Containment and Workforce Reductions

After more than a decade of workforce reductions resulting in 700 or 40% fewer filled positions, 2013 marked the first year for increased employment levels, albeit just a slight 1.7% increase. An additional 16 employees were added in 2014, but levels decreased to 1,199 and 1,198 for 2015 and 2016, respectively. Cost containment is still a reality for the City of Dayton organization; however, recruit classes for Police and Fire have been reinstated, after settling a lawsuit with the Department of Justice, and mission critical positions are being filled.

Wage increases were very modest in 2013 and 2014 while converting to a self-insured health plan and investing in wellness initiatives have helped rein in costs. Labor contracts for the 2015 - 2017 contract period were executed with the City's four bargaining groups, resulting in a three-year wage package of 3%, 2% and 2%. Additionally, the contracts include several cost containment articles for health insurance.

Next Year's Budget and Rates

The unencumbered general fund balance on a budgetary basis is expected to remain well above the minimum policy parameter level of 6 weeks of operating reserves.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact LaShea Lofton, Finance Director, City of Dayton, 101 West Third Street, P.O. Box 22, Dayton, OH 45401-0022, or visit our website at www.daytonohio.gov.

**BASIC
FINANCIAL STATEMENTS**

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments.	\$ 116,167,551	\$ 231,966,081	\$ 348,133,632
Cash with fiscal and escrow agents.	10,675	-	10,675
Receivables:			
Property and other local taxes	21,541,165	-	21,541,165
Municipal income taxes.	16,445,987	-	16,445,987
Accounts.	6,486,820	15,563,261	22,050,081
Payments in lieu of taxes.	2,425,630	-	2,425,630
Special assessments	12,331,959	1,522,928	13,854,887
Accrued interest	324,311	261,125	585,436
Due from other governments.	15,293,304	1,028,839	16,322,143
Loans receivable.	38,808,962	1,282,233	40,091,195
Internal balance	(401,488)	401,488	-
Materials and supplies inventory.	811,898	1,615,760	2,427,658
Prepayments	882,038	984,743	1,866,781
Inventory held for resale.	507,547	-	507,547
Property held for resale.	500,000	-	500,000
Restricted assets:			
Equity in pooled cash and investments.	-	1,150,505	1,150,505
Investments with fiscal and escrow agents.	20	8,510,211	8,510,231
Net pension asset.	139,349	108,922	248,271
Capital assets:			
Land and construction in progress.	105,556,557	70,666,762	176,223,319
Depreciable capital assets, net.	336,759,644	491,545,004	828,304,648
Total capital assets, net.	<u>442,316,201</u>	<u>562,211,766</u>	<u>1,004,527,967</u>
Total assets	<u>674,591,929</u>	<u>826,607,862</u>	<u>1,501,199,791</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	1,347,935	1,609,455	2,957,390
Pension.	<u>53,306,372</u>	<u>18,211,695</u>	<u>71,518,067</u>
Total deferred outflows of resources	<u>54,654,307</u>	<u>19,821,150</u>	<u>74,475,457</u>

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION (continued)
DECEMBER 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities:			
Accounts payable	\$ 2,149,223	\$ 3,734,759	\$ 5,883,982
Contracts payable	2,742,290	4,837,322	7,579,612
Retainage payable	623,658	1,824,893	2,448,551
Accrued wages and benefits payable	3,084,460	1,306,389	4,390,849
Due to other governments	3,174,386	838,152	4,012,538
Accrued interest payable	181,421	548,898	730,319
Payable from restricted assets:			
Utility deposits	-	145,959	145,959
Long-term liabilities:			
Due within one year	16,936,603	9,362,161	26,298,764
Due in more than one year	77,624,504	156,443,994	234,068,498
Net pension liability	191,388,971	48,588,355	239,977,326
Total liabilities	297,905,516	227,630,882	525,536,398
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	12,834,311	-	12,834,311
Pension	3,062,641	983,634	4,046,275
Payments in lieu of taxes levied for the next fiscal year	1,503,988	-	1,503,988
Total deferred inflows of resources	17,400,940	983,634	18,384,574
Net position:			
Net investment in capital assets	386,104,808	462,793,827	848,898,635
Restricted for:			
Permanent fund:			
Expendable	80,872	-	80,872
Nonexpendable	102,228	-	102,228
Capital projects	14,613,564	-	14,613,564
Debt service	28,277,863	9,514,757	37,792,620
Housing and urban development	4,599,219	-	4,599,219
Special projects	2,971,457	-	2,971,457
Street and highway projects	3,127,529	-	3,127,529
Other purposes	3,631,051	-	3,631,051
Unrestricted (deficit)	(29,568,811)	145,505,912	115,937,101
Total net position	\$ 413,939,780	\$ 617,814,496	\$ 1,031,754,276

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Downtown	\$ 3,653,125	\$ 625,740	\$ -	\$ -
Youth, education and human services.	120,375	18,846	-	-
Community development and neighborhoods.	20,766,486	2,394,632	6,707,403	-
Economic development	10,273,961	2,237,230	865,829	-
Leadership and quality of life	43,181,443	7,049,529	6,665,736	13,275,111
Corporate responsibility.	16,482,483	2,738,963	117,423	-
Public safety and justice.	107,505,250	18,653,411	1,564,742	-
Interest and fiscal charges.	3,074,675	-	-	-
Total governmental activities	<u>205,057,798</u>	<u>33,718,351</u>	<u>15,921,133</u>	<u>13,275,111</u>
Business-type activities:				
Dayton International Airport.	39,640,671	26,086,061	-	9,959,857
Water.	49,944,784	49,912,404	-	3,447,881
Sewer.	30,326,605	32,309,554	-	198,233
Other business-type activities:				
Storm Water.	5,700,888	7,359,366	-	-
Golf.	2,991,868	2,780,282	-	-
Total business-type activities	<u>128,604,816</u>	<u>118,447,667</u>	<u>-</u>	<u>13,605,971</u>
Total primary government	<u>\$ 333,662,614</u>	<u>\$ 152,166,018</u>	<u>\$ 15,921,133</u>	<u>\$ 26,881,082</u>

General revenues:

- Property taxes levied for:
 - General purposes
 - Debt service.
- Income taxes levied for:
 - General purposes
 - Payments in lieu of taxes
- Grants and entitlements not restricted
 - to specific programs
- Investment earnings
- Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers.

Change in net position

Net position at beginning of year.

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,027,385)	\$ -	\$ (3,027,385)
(101,529)	-	(101,529)
(11,664,451)	-	(11,664,451)
(7,170,902)	-	(7,170,902)
(16,191,067)	-	(16,191,067)
(13,626,097)	-	(13,626,097)
(87,287,097)	-	(87,287,097)
(3,074,675)	-	(3,074,675)
<u>(142,143,203)</u>	<u>-</u>	<u>(142,143,203)</u>
-	(3,594,753)	(3,594,753)
-	3,415,501	3,415,501
-	2,181,182	2,181,182
-	1,658,478	1,658,478
-	(211,586)	(211,586)
-	<u>3,448,822</u>	<u>3,448,822</u>
<u>(142,143,203)</u>	<u>3,448,822</u>	<u>(138,694,381)</u>
5,537,107	-	5,537,107
6,993,870	-	6,993,870
109,275,331	-	109,275,331
1,639,517	-	1,639,517
14,475,022	-	14,475,022
2,258,330	863,088	3,121,418
<u>3,399,230</u>	<u>12,535,999</u>	<u>15,935,229</u>
<u>143,578,407</u>	<u>13,399,087</u>	<u>156,977,494</u>
<u>(501,000)</u>	<u>501,000</u>	<u>-</u>
<u>143,077,407</u>	<u>13,900,087</u>	<u>156,977,494</u>
934,204	17,348,909	18,283,113
<u>413,005,576</u>	<u>600,465,587</u>	<u>1,013,471,163</u>
<u>\$ 413,939,780</u>	<u>\$ 617,814,496</u>	<u>\$ 1,031,754,276</u>

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Debt Service	Capital Improvement
Assets:			
Equity in pooled cash and investments.	\$ 44,697,916	\$ 13,644,572	\$ 23,506,316
Cash with fiscal and escrow agents.	10,675	-	
Receivables:			
Property and other local taxes.	9,703,341	11,837,824	-
Municipal income taxes.	16,445,987	-	-
Accounts.	6,244,917	18,750	140
Payments in lieu of taxes.	-	-	2,425,630
Special assessments	749,060	71,866	-
Accrued interest	291,459	-	-
Due from other funds	8,272	-	-
Due from other governments.	5,609,626	189,654	3,749,942
Loans receivable.	9,315,175	14,620,000	8,701,088
Advances to other funds	-	611,178	-
Materials and supplies inventory.	-	-	-
Prepayments	751,710	-	-
Property held for resale.	500,000	-	-
Restricted assets:			
Cash with fiscal and escrow agents.	-	-	20
Total assets	\$ 94,328,138	\$ 40,993,844	\$ 38,383,136
Liabilities:			
Accounts payable.	\$ 1,413,940	\$ -	\$ 103,201
Contracts payable.	645,158	-	460,468
Accrued wages and benefits payable.	2,729,115	-	17,805
Retainage payable	-	-	603,356
Advances from other funds.	74,682	-	-
Due to other funds	168,651	-	143
Due to other governments	3,100,795	-	-
Claimants payable	173,210	-	-
Total liabilities	8,305,551	-	1,184,973
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	5,780,370	7,053,941	-
Delinquent property tax revenue not available.	3,914,086	4,783,883	-
Accrued interest not available	165,350	-	-
Special assessments revenue not available.	749,060	71,866	-
Miscellaneous revenue not available.	2,805,068	18,750	-
Income tax revenue not available	6,228,851	-	-
Intergovernmental revenue not available	3,451,139	189,654	3,019,915
Payments in lieu of taxes levied for the next fiscal year.	-	-	1,503,988
Delinquent payment in lieu of taxes revenue not available.	-	-	921,642
Total deferred inflows of resources	23,093,924	12,118,094	5,445,545
Fund balances:			
Nonspendable	11,130,189	-	-
Restricted.	-	28,459,284	17,575,596
Committed	1,765,917	416,466	7,875,468
Assigned	26,532,688	-	6,301,554
Unassigned.	23,499,869	-	-
Total fund balances.	62,928,663	28,875,750	31,752,618
Total liabilities, deferred inflows and fund balances	\$ 94,328,138	\$ 40,993,844	\$ 38,383,136

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 7,344,109	\$ 89,192,913
-	10,675
-	21,541,165
-	16,445,987
223,013	6,486,820
-	2,425,630
11,511,033	12,331,959
2,166	293,625
37,131	45,403
5,701,961	15,251,183
6,172,699	38,808,962
-	611,178
811,898	811,898
250	751,960
-	500,000
-	20
<u>\$ 31,804,260</u>	<u>\$ 205,509,378</u>
\$ 441,361	\$ 1,958,502
1,634,826	2,740,452
226,021	2,972,941
20,302	623,658
-	74,682
32,094	200,888
-	3,100,795
-	173,210
<u>2,354,604</u>	<u>11,845,128</u>
-	12,834,311
-	8,697,969
1,153	166,503
11,511,033	12,331,959
211,800	3,035,618
-	6,228,851
3,659,969	10,320,677
-	1,503,988
-	921,642
<u>15,383,955</u>	<u>56,041,518</u>
914,376	12,044,565
13,151,325	59,186,205
-	10,057,851
-	32,834,242
-	23,499,869
<u>14,065,701</u>	<u>137,622,732</u>
<u>\$ 31,804,260</u>	<u>\$ 205,509,378</u>

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Total governmental fund balances		\$ 137,622,732
<i>Amounts reported for governmental activities on the statement of net position are different than the net position because:</i>		
1. Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.		441,487,528
2. Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property and other local taxes receivable	\$ 12,484,050	
Payments in lieu of taxes receivable	921,642	
Municipal income taxes receivable	6,228,851	
Accounts receivable	3,295,917	
Special assessments receivable	12,331,959	
Accrued interest receivable	166,503	
Due from other governments	6,274,297	
Total		41,703,219
3. Internal service funds are used by management to charge the costs of fleet management fire fleet management, stores and reproduction, workers' compensation, health insurance and plumbing to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net position. The net position of the internal service funds, excluding internal balances of \$1,096,667 are:		18,405,233
4. In the statement of net position interest is accrued on bonds, whereas in governmental funds, interest is accrued when due.		(181,421)
5. Unamortized deferred amounts on refundings are not recognized in the governmental funds.		1,347,935
6. Unamortized premiums on bond issuances are not recognized in the governmental funds.		(5,712,497)
7. The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds		128,382
8. The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows are not reported in the governmental funds.		(138,418,378)
9. Long-term liabilities, including bonds and compensated absences are not due and payable in the current period and therefore are not reported in the funds (exclusive of internal service fund liabilities).		
General obligation bonds	(39,730,000)	
Revenue bonds	(24,055,000)	
State Infrastructure Bank Loan	(2,568,125)	
State Infrastructure Bank Bonds	(3,465,000)	
Compensated absences	(9,067,619)	
OPWC loans	(1,116,405)	
ODOD Loan	(2,440,804)	
Total		(82,442,953)
Net position of governmental activities		\$ 413,939,780

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>
Revenues:			
Municipal income taxes	\$ 109,550,885	\$ -	\$ -
Property and other taxes.	5,359,933	6,455,524	321,800
State shared taxes.	7,288,760	-	-
Charges for services.	26,669,050	-	554,978
Licenses and permits	1,557,705	-	-
Fines and forfeitures	638,978	-	-
Intergovernmental.	4,365,137	2,470,318	13,950,686
Special assessments	198,279	36,801	-
Investment income.	2,627,673	-	-
Payments in lieu of taxes.	-	-	1,687,149
Decrease in FMV of investments.	(467,191)	-	-
Other	3,192,716	187,764	317,533
Total revenues	<u>160,981,925</u>	<u>9,150,407</u>	<u>16,832,146</u>
Expenditures:			
Current:			
Downtown	3,266,286	-	201,876
Youth, education and human services.	104,913	-	-
Community development and neighborhoods.	12,396,711	-	629,010
Economic development	6,649,167	-	1,513,209
Leadership and quality of life	22,661,555	-	1,858,318
Corporate responsibility.	14,879,137	101,704	274,450
Public safety and justice.	95,257,822	-	29,424
Capital outlay	-	-	20,836,262
Debt service:			
Bond issuance costs	-	267,816	56,038
Principal retirement.	-	6,731,095	1,852,683
Interest and fiscal charges	-	2,797,870	46,361
Total expenditures	<u>155,215,591</u>	<u>9,898,485</u>	<u>27,297,631</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>5,766,334</u>	<u>(748,078)</u>	<u>(10,465,485)</u>
Other financing sources (uses):			
Bond issuance.	-	2,710,000	9,500,000
Payment to refunded bond escrow agent	-	(2,876,310)	-
Issuance of loans.	-	-	1,099,888
Transfers in	-	643,499	4,717,498
Transfers (out).	(5,277,151)	-	(615,505)
Premium on bond issuance	-	1,051,503	-
Total other financing sources (uses)	<u>(5,277,151)</u>	<u>1,528,692</u>	<u>14,701,881</u>
Net change in fund balances	489,183	780,614	4,236,396
Fund balances at beginning of year.	<u>62,439,480</u>	<u>28,095,136</u>	<u>27,516,222</u>
Fund balances at end of year	<u>\$ 62,928,663</u>	<u>\$ 28,875,750</u>	<u>\$ 31,752,618</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 109,550,885
-	12,137,257
5,492,892	12,781,652
884,771	28,108,799
23,040	1,580,745
744,379	1,383,357
13,873,413	34,659,554
2,781,314	3,016,394
8,483	2,636,156
-	1,687,149
(3,646)	(470,837)
2,109,484	5,807,497
<u>25,914,130</u>	<u>212,878,608</u>
-	3,468,162
-	104,913
8,941,728	21,967,449
1,483,690	9,646,066
12,338,898	36,858,771
155,050	15,410,341
2,966,440	98,253,686
-	20,836,262
-	323,854
-	8,583,778
-	2,844,231
<u>25,885,806</u>	<u>218,297,513</u>
<u>28,324</u>	<u>(5,418,905)</u>
-	12,210,000
-	(2,876,310)
-	1,099,888
143,553	5,504,550
-	(5,892,656)
-	1,051,503
<u>143,553</u>	<u>11,096,975</u>
171,877	5,678,070
13,893,824	131,944,662
<u>\$ 14,065,701</u>	<u>\$ 137,622,732</u>

**CITY OF DAYTON, OHIO
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balances - total governmental funds		\$ 5,678,070
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$29,324,228) exceeded depreciation expense (\$15,255,071) in the current period (exclusive of internal service fund activity).		14,069,157
2. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	\$ (275,554)	
Property and other local taxes	581,266	
Payments in lieu of taxes	(47,632)	
Charges for services	(210,053)	
Intergovernmental	(3,961,918)	
Special assessments	(2,569,158)	
Investment income	33,033	
Total	(6,450,016)	(6,450,016)
3. Repayments of bond, loan and capital lease principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities on the statement of net position.		
Bond principal payments	6,170,000	
Loan principal payments	792,607	
Capital lease principal payments	1,621,171	
Total	8,583,778	8,583,778
4. Issuance of bonds, loans and leases are recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net position.		(13,309,888)
5. Payment to refunded bond escrow agent for the retirement of bonds is an other use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	2,775,000	
Deferred charges on refundings	101,310	
Total	2,876,310	2,876,310
6. Premiums and discounts on bonds and notes are amortized over the life of the issuance in the statement of activities.		(1,051,503)
7. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following:		
Increase in accrued interest payable	(5,844)	
Capitalized interest on SIB loan	(68,125)	
Amortization of bond premiums and discounts	341,780	
Amortization of deferred charges on refundings	(174,401)	
Total	93,410	93,410
8. Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		(288,766)
9. Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows		14,176,233
10. Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(25,794,738)
11. Internal service funds used by management to charge the costs of fleet management, fire fleet management, stores and reproduction, workers' compensation, and plumbing to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue of the internal service funds, including internal balances of \$1,075,667, is allocated among governmental activities.		2,352,157
Change in net position of governmental activities		\$ 934,204

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Municipal income taxes	\$ 109,357,000	\$ 109,140,000	\$ 108,752,852	\$ (387,148)
Property and other taxes	6,059,800	5,987,500	5,981,440	(6,060)
State shared taxes	6,878,200	6,798,100	6,737,869	(60,231)
Charges for services	27,115,700	26,764,200	26,844,328	80,128
Licenses and permits	1,693,100	1,700,500	1,557,705	(142,795)
Fines and forfeitures	723,000	706,600	654,721	(51,879)
Intergovernmental	4,426,600	4,438,900	4,447,980	9,080
Special assessments	160,000	200,000	198,278	(1,722)
Investment income	2,128,300	2,165,300	2,564,041	398,741
Other	3,399,400	3,706,600	3,983,781	277,181
Total revenues	<u>161,941,100</u>	<u>161,607,700</u>	<u>161,722,995</u>	<u>115,295</u>
Expenditures:				
Current:				
Downtown	3,378,300	3,348,300	3,274,639	73,661
Youth, education and human services	62,000	62,000	110,506	(48,506)
Community development and neighborhoods	12,657,100	12,582,500	12,305,748	276,752
Economic development	8,140,800	8,361,800	7,000,595	1,361,205
Leadership and quality of life	23,276,100	22,973,200	22,259,523	713,677
Corporate responsibility	16,437,800	15,247,300	15,213,567	33,733
Public safety and justice	97,439,500	97,557,600	95,218,170	2,339,430
Other	1,817,600	1,792,600	1,198,658	593,942
Debt service:				
Principal retirement	-	72,500	72,507	(7)
Interest and fiscal charges	-	4,500	4,416	84
Total expenditures	<u>163,209,200</u>	<u>162,002,300</u>	<u>156,658,329</u>	<u>5,343,971</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,268,100)</u>	<u>(394,600)</u>	<u>5,064,666</u>	<u>5,459,266</u>
Other financing uses:				
Transfers (out)	<u>(2,473,600)</u>	<u>(9,326,800)</u>	<u>(5,277,153)</u>	<u>4,049,647</u>
Total other financing uses	<u>(2,473,600)</u>	<u>(9,326,800)</u>	<u>(5,277,153)</u>	<u>4,049,647</u>
Net change in fund balances	(3,741,700)	(9,721,400)	(212,487)	9,508,913
Fund balance at beginning of year	57,854,915	57,854,915	57,854,915	-
Prior year encumbrances appropriated	1,407,182	1,407,182	1,407,182	-
Fund balance at end of year	<u>\$ 55,520,397</u>	<u>\$ 49,540,697</u>	<u>\$ 59,049,610</u>	<u>\$ 9,508,913</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	Dayton International Airport	Water	Sewer	Nonmajor Enterprise Funds
Assets:				
Current assets:				
Equity in pooled cash and investments.	\$ 85,751,434	\$ 78,527,179	\$ 53,770,653	\$ 13,916,815
Receivables:				
Accounts.	2,581,868	6,551,101	4,855,948	1,574,344
Special assessments	-	597,903	276,128	648,897
Accrued interest	90,653	85,324	62,895	22,253
Due from other funds	-	3,705,980	175,345	-
Due from other governments.	938,640	90,199	-	-
Loans receivable.	-	1,282,233	-	-
Advances to other funds	-	-	-	-
Materials and supplies inventory.	33,403	1,582,357	-	-
Inventory held for resale.	-	-	-	-
Prepayments	127,089	786,302	67,183	4,169
Total current assets	89,523,087	93,208,578	59,208,152	16,166,478
Noncurrent assets:				
Net pension asset.	24,793	49,150	24,909	10,070
Capital assets:				
Land and construction in progress.	45,925,186	17,417,408	6,189,062	1,135,106
Depreciable capital assets, net.	245,708,883	129,090,951	99,082,830	17,662,340
Total capital assets, net.	291,634,069	146,508,359	105,271,892	18,797,446
Restricted assets:				
Equity in pooled cash and investments	1,004,546	145,959	-	-
Investments with fiscal and escrow agents . . .	6,296,388	1,082,601	1,131,222	-
Total restricted assets.	7,300,934	1,228,560	1,131,222	-
Total noncurrent assets	298,959,796	147,786,069	106,428,023	18,807,516
Total assets	388,482,883	240,994,647	165,636,175	34,973,994
Deferred outflows of resources:				
Unamortized deferred charges on debt refunding	1,609,455	-	-	-
Pension.	5,126,573	7,644,634	3,874,296	1,566,192
Total deferred outflows of resources	6,736,028	7,644,634	3,874,296	1,566,192
Total assets and deferred outflows of resources .	395,218,911	248,639,281	169,510,471	36,540,186

Business-type Activities Enterprise Funds Total	Governmental Activities - Internal Service Funds
\$ 231,966,081	\$ 26,974,638
15,563,261	-
1,522,928	-
261,125	30,686
3,881,325	240,991
1,028,839	42,121
1,282,233	-
-	74,682
1,615,760	-
-	507,547
984,743	130,078
<u>258,106,295</u>	<u>28,000,743</u>
108,922	10,967
70,666,762	75,000
491,545,004	753,673
<u>562,211,766</u>	<u>828,673</u>
1,150,505	-
8,510,211	-
<u>9,660,716</u>	<u>-</u>
<u>571,981,404</u>	<u>839,640</u>
<u>830,087,699</u>	<u>28,840,383</u>
1,609,455	-
18,211,695	1,705,712
<u>19,821,150</u>	<u>1,705,712</u>
<u>849,908,849</u>	<u>30,546,095</u>

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**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION (continued)
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			Nonmajor Enterprise Funds
	Dayton International Airport	Water	Sewer	
Liabilities:				
Current liabilities:				
Accounts payable	769,956	2,075,301	685,837	203,665
Contracts payable	2,416,349	2,019,699	373,603	27,671
Retainage payable	982,649	461,809	358,810	21,625
Accrued wages and benefits payable	357,401	570,362	264,904	113,722
Due to other funds	177,388	58,564	3,114,146	615,228
Due to other governments	670,936	163,146	722	3,348
Accrued interest payable	282,863	98,345	167,690	-
Compensated absences payable - current	607,130	1,078,997	490,300	234,126
Advances from other funds	-	-	-	611,178
General obligation bonds payable	575,000	985,000	720,000	-
Revenue bonds payable	2,480,000	560,000	585,000	-
OWDA loans payable	-	-	863,616	-
OPWC loans payable	-	-	50,000	-
Other loans payable	132,992	-	-	-
Claims and judgments payable	-	-	-	-
Payable from restricted assets:				
Utility deposits	-	145,959	-	-
Total current liabilities	9,452,664	8,217,182	7,674,628	1,830,563
Long-term liabilities:				
Compensated absences payable	344,506	612,261	278,214	132,851
General obligation bonds payable	8,829,368	16,655,000	11,260,000	-
Revenue bonds payable	78,342,459	14,573,998	15,230,607	-
OWDA loans payable	-	-	5,167,722	-
OPWC loans payable	-	-	150,000	-
Other loans payable	4,867,008	-	-	-
Net pension liability	15,285,232	19,456,461	9,860,523	3,986,139
Claims and judgments payable	-	-	-	-
Total long-term liabilities	107,668,573	51,297,720	41,947,066	4,118,990
Total liabilities	117,121,237	59,514,902	49,621,694	5,949,553
Deferred inflows of resources:				
Pension	282,892	409,389	207,479	83,874
Total deferred inflows of resources	282,892	409,389	207,479	83,874
Total liabilities and deferred inflows of resources	117,404,129	59,924,291	49,829,173	6,033,427
Net position:				
Net investment in capital assets	227,058,094	130,786,781	86,200,802	18,748,150
Restricted for debt service	7,300,934	1,082,601	1,131,222	-
Unrestricted	43,455,754	56,845,608	32,349,274	11,758,609
Total net position	\$ 277,814,782	\$ 188,714,990	\$ 119,681,298	\$ 30,506,759

Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.

Net position of business-type activities:

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business-type Activities Enterprise Funds Total	Governmental Activities - Internal Service Funds
3,734,759	190,721
4,837,322	1,838
1,824,893	-
1,306,389	111,519
3,965,326	1,505
838,152	73,591
548,898	-
2,410,553	193,834
611,178	-
2,280,000	-
3,625,000	-
863,616	-
50,000	-
132,992	-
-	3,361,810
145,959	-
<u>27,175,037</u>	<u>3,934,818</u>
1,367,832	109,988
36,744,368	-
108,147,064	-
5,167,722	-
150,000	-
4,867,008	-
48,588,355	4,341,228
-	2,566,815
<u>205,032,349</u>	<u>7,018,031</u>
<u>232,207,386</u>	<u>10,952,849</u>
983,634	91,346
<u>983,634</u>	<u>91,346</u>
<u>233,191,020</u>	<u>11,044,195</u>
462,793,827	828,673
9,514,757	-
<u>144,409,245</u>	<u>18,673,227</u>
616,717,829	<u>\$ 19,501,900</u>
<u>1,096,667</u>	
<u>\$ 617,814,496</u>	

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	Dayton International Airport	Water	Sewer	Nonmajor Enterprise Funds
Operating revenues:				
Charges for services	\$ 26,086,061	\$ 49,912,404	\$ 32,309,554	\$ 10,139,648
Other operating revenues	7,709,403	4,353,648	472,948	-
Total operating revenues.	<u>33,795,464</u>	<u>54,266,052</u>	<u>32,782,502</u>	<u>10,139,648</u>
Operating expenses:				
Personal services	9,513,475	15,588,070	7,885,915	3,193,235
Fringe benefits.	4,501,181	7,202,144	3,663,004	1,422,688
Contract services.	3,908,257	6,539,604	7,092,012	1,649,919
Materials and supplies.	1,316,973	4,530,942	2,115,291	578,194
Cost of sales.	-	-	-	-
Utilities	1,960,904	5,289,696	2,733,299	196,296
Claims expense	-	-	-	-
Depreciation.	12,575,510	7,098,170	4,514,490	881,676
Other	3,174,363	3,146,537	1,340,013	817,720
Total operating expenses.	<u>36,950,663</u>	<u>49,395,163</u>	<u>29,344,024</u>	<u>8,739,728</u>
Operating income (loss)	<u>(3,155,199)</u>	<u>4,870,889</u>	<u>3,438,478</u>	<u>1,399,920</u>
Nonoperating revenues (expenses):				
Interest and fiscal charges	(2,361,402)	(994,137)	(1,187,526)	(38,899)
Bond issuance costs	(668,941)	-	-	-
Interest income.	502,165	355,939	272,494	81,499
Decrease in fair market value of investments.	(144,171)	(103,611)	(66,382)	(34,845)
Total nonoperating revenues (expenses).	<u>(2,672,349)</u>	<u>(741,809)</u>	<u>(981,414)</u>	<u>7,755</u>
Income (loss) before contributions and transfers	(5,827,548)	4,129,080	2,457,064	1,407,675
Transfer in	-	-	-	501,000
Transfer out	-	-	-	-
Capital contributions.	9,959,857	3,447,881	198,233	-
Change in net position	4,132,309	7,576,961	2,655,297	1,908,675
Net position at beginning of year.	<u>273,682,473</u>	<u>181,138,029</u>	<u>117,026,001</u>	<u>28,598,084</u>
Net position at end of year	<u>\$ 277,814,782</u>	<u>\$ 188,714,990</u>	<u>\$ 119,681,298</u>	<u>\$ 30,506,759</u>

Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.

Change in net position of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business-type Activities Enterprise Funds Total	Governmental Activities - Internal Service Funds
\$ 118,447,667	\$ 36,216,508
12,535,999	475,489
<u>130,983,666</u>	<u>36,691,997</u>
36,180,695	3,643,189
16,789,017	1,633,016
19,189,792	2,362,641
8,541,400	355,930
-	4,395,822
10,180,195	22,904
-	20,485,360
25,069,846	68,273
8,478,633	248,554
<u>124,429,578</u>	<u>33,215,689</u>
<u>6,554,088</u>	<u>3,476,308</u>
(4,581,964)	-
(668,941)	-
1,212,097	112,490
(349,009)	(48,080)
<u>(4,387,817)</u>	<u>64,410</u>
2,166,271	3,540,718
501,000	-
-	(112,894)
<u>13,605,971</u>	<u>-</u>
16,273,242	3,427,824
	<u>16,074,076</u>
	<u>\$ 19,501,900</u>
<u>1,075,667</u>	
<u>\$ 17,348,909</u>	

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	Dayton International Airport	Water	Sewer	Nonmajor Enterprise Funds
Cash flows from operating activities:				
Cash received from customers.	\$ 25,882,082	\$ 50,044,846	\$ 32,847,536	\$ 10,081,684
Cash received from interfund services provided.	-	-	-	-
Cash received from other operations	7,851,781	4,969,940	472,948	-
Cash payments for personal services.	(9,475,680)	(15,385,875)	(7,802,254)	(3,161,982)
Cash payments for fringe benefits.	(3,773,476)	(6,104,645)	(2,995,998)	(1,252,485)
Cash payments for contractual services	(3,312,562)	(6,560,366)	(7,691,968)	(1,767,515)
Cash payments for materials and supplies	(1,205,963)	(4,357,581)	(2,153,170)	(444,985)
Cash payments for cost of goods sold.	-	-	-	-
Cash payments for utilities.	(1,831,999)	(5,207,836)	(2,545,535)	(197,917)
Cash payments for claims	-	-	-	-
Cash payments for other expenses	(3,039,154)	(3,103,434)	(1,311,759)	(858,281)
Net cash provided by operating activities.	<u>11,095,029</u>	<u>14,295,049</u>	<u>8,819,800</u>	<u>2,398,519</u>
Cash flows from noncapital financing activities:				
Cash received from loans to external party.	-	247,363	-	-
Cash payments for loans to external party.	-	(179,800)	-	-
Cash received from transfers in	-	-	-	501,000
Cash used in transfers out	-	-	-	-
Cash received from interfund loans	-	-	-	-
Interest paid on interfund loans.	-	-	-	(38,441)
Cash used in repayment of interfund loans.	-	-	-	(243,065)
Net cash provided by (used in) noncapital financing activities.	<u>-</u>	<u>67,563</u>	<u>-</u>	<u>219,494</u>
Cash flows from capital and related financing activities:				
Capital contributions.	10,488,299	251,009	198,233	-
Acquisition of capital assets	(31,969,971)	(13,548,287)	(9,530,468)	(1,354,442)
Principal paid on loans.	-	-	(881,353)	-
Interest paid on loans.	(3,126)	-	(199,704)	-
Principal paid on capital leases.	(139,677)	(234,955)	(128,601)	(23,418)
Interest paid on capital leases.	(2,730)	(4,592)	(2,514)	(458)
Principal paid on bonds.	(2,315,000)	(1,520,000)	(1,570,000)	-
Interest paid on bonds.	(2,317,464)	(1,006,846)	(1,040,411)	-
Bond issuance costs.	(668,941)	-	-	-
Loan proceeds.	5,000,000	-	-	-
Premium on bonds.	57,293	-	-	-
Bond proceeds.	33,050,000	5,900,000	-	-
Net cash used in capital and related financing activities.	<u>11,178,683</u>	<u>(10,163,671)</u>	<u>(13,154,818)</u>	<u>(1,378,318)</u>
Cash flows from investing activities:				
Interest received and fair market value adjustment	333,774	244,517	205,354	42,581
Net cash provided by investing activities	<u>333,774</u>	<u>244,517</u>	<u>205,354</u>	<u>42,581</u>
Net increase (decrease) in cash and investments.	22,607,486	4,443,458	(4,129,664)	1,282,276
Cash and investments at beginning of year.	<u>70,444,882</u>	<u>75,312,281</u>	<u>59,031,539</u>	<u>12,634,539</u>
Cash and investments at end of year.	<u>\$ 93,052,368</u>	<u>\$ 79,755,739</u>	<u>\$ 54,901,875</u>	<u>\$ 13,916,815</u>

Business-type Activities Enterprise Funds Total		Governmental Activities - Internal Service Funds	
\$	118,856,148	\$	-
	-		36,316,504
	13,294,669		475,489
	(35,825,791)		(3,622,872)
	(14,126,604)		(1,392,104)
	(19,332,411)		(2,290,212)
	(8,161,699)		(353,542)
	-		(4,389,933)
	(9,783,287)		(20,623)
	-		(22,765,458)
	(8,312,628)		(260,580)
	<u>36,608,397</u>		<u>1,696,669</u>
	247,363		-
	(179,800)		-
	501,000		-
	-		(112,894)
	-		72,507
	(38,441)		-
	(243,065)		-
	<u>287,057</u>		<u>(40,387)</u>
	10,937,541		-
	(56,403,168)		(8,400)
	(881,353)		-
	(202,830)		-
	(526,651)		-
	(10,294)		-
	(5,405,000)		-
	(4,364,721)		-
	(668,941)		-
	5,000,000		-
	57,293		-
	<u>38,950,000</u>		<u>-</u>
	<u>(13,518,124)</u>		<u>(8,400)</u>
	<u>826,226</u>		<u>58,687</u>
	<u>826,226</u>		<u>58,687</u>
	24,203,556		1,706,569
	<u>217,423,241</u>		<u>25,268,069</u>
\$	<u><u>241,626,797</u></u>	\$	<u><u>26,974,638</u></u>

- - Continued

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	Dayton International Airport	Water	Sewer	Nonmajor Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (3,155,199)	\$ 4,870,889	\$ 3,438,478	\$ 1,399,920
Adjustments:				
Depreciation	12,575,510	7,098,170	4,514,490	881,676
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable.	(54,178)	(98,864)	453,321	(33,991)
Increase in net pension asset.	(6,080)	(12,913)	(6,926)	(2,472)
Increase in deferred outflows - pension.	(3,271,829)	(5,172,414)	(2,647,446)	(1,047,777)
Decrease (increase) in due from other funds.	-	618,340	(175,345)	-
Decrease (increase) in due from other governments.	(7,423)	77,701	-	-
Decrease (increase) in prepayments.	26,363	(527,615)	13,582	800
Decrease (increase) in special assessments receivable.	-	146,457	84,661	(23,973)
Decrease (increase) in materials and supplies inventory.	(9,342)	42,755	-	-
Increase in inventory held for resale.	-	-	-	-
Increase (decrease) in accounts payable.	403,825	193,132	(32,824)	81,211
Increase (decrease) in contracts payable	(427,666)	574,304	426,243	47,957
Increase (decrease) in retainage payable	673,236	(9,153)	(159,077)	(42,870)
Increase in accrued wages and benefits.	68,380	151,405	62,224	31,061
Increase (decrease) in due to other funds.	175,605	2,386	(494,408)	(114,112)
Increase in net pension liability.	3,850,679	6,084,835	3,224,797	1,182,169
Increase in deferred inflows - pension.	133,155	142,685	75,126	27,947
Increase (decrease) in due to other governments.	128,798	1,753	12	445
Increase (decrease) in compensated absences payable.	(8,805)	106,096	42,892	10,528
Increase in utility deposits.	-	5,100	-	-
Decrease in claims payable.	-	-	-	-
Net cash provided by operating activities	<u>\$ 11,095,029</u>	<u>\$ 14,295,049</u>	<u>\$ 8,819,800</u>	<u>\$ 2,398,519</u>

Non-cash transactions:

During 2016, the Dayton International Airport and the Water enterprise funds received \$1,794,970 and \$8,328, respectively in capital grants, which were recognized as receivables in 2015. Receivables in the amount of \$1,266,528 have been recorded for capital grants in 2016 for the Dayton International Airport.

At December 31, 2016, the Water, Sewer, Dayton International Airport and Storm Water enterprise funds purchased \$2,610,135, \$666,058, \$2,702,263 and \$54,530, respectively, in capital assets on account. At December 31, 2015, the Water, Sewer, Dayton International Airport and Storm Water enterprise funds purchased \$2,155,921, \$1,031,199, \$2,236,582 and \$195,759, respectively, in capital assets on account.

During 2016, the Water fund received \$3,205,200 in Water Lines from the City of Clayton.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business-type Activities Enterprise Funds Total	Governmental Activities - Internal Service Funds
\$ 6,554,088	\$ 3,476,308
25,069,846	68,273
266,288	-
(28,391)	(2,888)
(12,139,466)	(1,154,525)
442,995	(23,429)
70,278	123,365
(486,870)	38,010
207,145	-
33,413	-
-	(64,559)
645,344	98,876
620,838	(1,208)
462,136	-
313,070	20,268
(430,529)	(97)
14,342,480	1,359,992
378,913	31,883
131,008	(683,790)
150,711	6,499
5,100	-
-	(1,596,309)
<u>\$ 36,608,397</u>	<u>\$ 1,696,669</u>

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2016

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 6,331,793
Investments with fiscal agent	932,036
Cash and cash equivalents with fiscal agent . .	1,054,764
Receivables:	
Accounts	90,671
Special assessments.	5,937,240
Intergovernmental.	90,671
	90,671
Total assets	\$ 14,437,175
Liabilities:	
Intergovernmental payable.	\$ 1,838,002
Due to others.	9,222,684
Withholdings and deposits.	3,376,489
	3,376,489
Total liabilities.	\$ 14,437,175

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - DESCRIPTION OF THE CITY

The City of Dayton (the “City”) is located in Montgomery County in southwestern Ohio approximately seventy-six miles west of Columbus and fifty-four miles north of Cincinnati. The City charter was approved in 1913 and the City became the first large community in the United States to adopt the Commission-Manager Plan form of government. Subsequent amendments to the charter have been made. Legislative power is vested in a five-member commission, one of the members being the Mayor. The City Manager is the chief executive officer and the head of the administrative agencies of the City. The City Manager appoints all department heads, except the Secretary of the Civil Service Board and the Director of the Human Relations Council, who are appointed by the City Commission.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental financial accounting principles.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government consists of all funds, departments and agencies that are not legally separate from the City. For the City, this includes providing water supply and treatment, sewer and storm water maintenance, wastewater treatment, airport services, fire and emergency medical services, police protection, a convention center, building inspection, neighborhood support, recreation and parks, golf, street and bridge maintenance, waste collection and a municipal court.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes for the organization. The City does not have any component units.

The City is associated with the following nine jointly governed organizations:

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Regional Planning Commission - The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami and Montgomery Counties, the City of Dayton, City of Riverside, City of New Carlisle and the City of Huber Heights. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member and two at-large representatives. Payments to the Commission are made from the general fund. The City contributed \$65,102 for the operation of the Commission during 2016. Financial information can be obtained from Brian Martin, Executive Director, at 10 N. Ludlow Street Suite 700, Dayton, Ohio 45402.

Miami Valley Fire/EMS Alliance - The Miami Valley Fire/EMS Alliance (the Alliance) is a jointly governed organization between municipal corporations and townships in Montgomery, Greene and Warren Counties. The purpose of the Alliance is to foster cooperation among the political subdivisions by promoting programs and recommending matters which will result in more efficient methods of delivering fire and emergency medical services in the region. The Board of the Alliance is made up of a representative appointed by the City of Dayton, a representative appointed by the members who are provided Fire/EMS Services by volunteers, two representatives appointed by the members who are provided Fire/EMS Services by a combination of full time employees and volunteers and a representative appointed by the members who are provided Fire/EMS Services by full time employees. Payments to the Alliance are made from the general fund. The City contributed \$33,966 for the operation of the Alliance during 2016. Financial information can be obtained from Franklin E. Clay, Executive Director, at 444 W. Third Street, Suite 20-231, Dayton, Ohio 45402.

Miami Township-Dayton Joint Economic Development District - In an effort to promote regional growth and economic development, the City has entered into a contract with Miami Township to create a Joint Economic Development District (JEDD). The City entered into a separate contract with Miami Township in July, 2005. In accordance with State law, the Districts Board of Trustees levied a 1.75% income tax effective January 1, 2008. The proceeds of that tax are allocated, in accordance with the contract, primarily to the Township. In consideration for its receipt of a share of the District's income taxes, the City will receive 50% of the property tax revenue from parcels located within the District. The Township will utilize these JEDD revenues, in part, to construct infrastructure and improvement near the Dayton-Wright Brothers Airport. The City received \$432,688 in revenues through the JEDD in 2016.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Butler Township-Dayton Joint Economic Development District - In an effort to promote regional growth and economic development, the City has entered into a contract with Butler Township to create a Joint Economic Development District (JEDD). The City entered into a separate contract with Butler Township in July, 2006. In accordance with State Law, the District's Board of Trustees levied a 1.75% income tax effective in 2008. The proceeds of that tax are allocated, in accordance with the contract, to the Township. In consideration for its receipt of a share of the District's income taxes, the City will receive 50% of the property tax revenue from parcels located within the District. The District will utilize these JEDD revenues to facilitate economic development to create or preserve jobs and employment opportunities and to improve economic welfare. The City received \$36,227 in revenues through the JEDD in 2016.

Economic Development/Government Equity Program - The Economic Development/Government Equity Program (ED/GE) was established pursuant to Ohio Revised Code Chapter 307 for the purpose of developing and promoting plans and programs designed to assure that County resources are efficiently used, economic growth is properly balanced, and that County economic development is coordinated with that of the State of Ohio and other local governments. Members include villages, townships, and cities within Montgomery County, and Montgomery County itself. Cooperation and coordination between the members is intended to promote economic health and improve the economic opportunities of the people in Montgomery County by assisting in the establishment or expansion within the County of industrial, commercial or research facilities and by creating and preserving job and employment opportunities for the people of the County. The ED/GE Advisory Committee, made up of alternating member entities representatives, decides which proposed projects will be granted each year. Sales tax revenues, set aside by Montgomery County, are used to fund the projects. Members annually contribute to or receive benefits based on an elaborate zero-based formula designed to distribute growth in contributing communities to those communities experiencing less economic growth. Any member in default of paying its contributions will be liable for the amount of the contribution, any interest accrued, and penalties. During this time, the member will not be entitled to any allocations from ED/GE. Payments to ED/GE are made from the general fund.

The City did not contribute to the operation of ED/GE during 2016. Financial information can be obtained from Michael Norton-Smith, Community and Economic Development Specialist, Montgomery County, 451 W. Third Street, 10th Floor, Dayton, OH 45422, 937-224-3850, e-mail: smithmn@mcOhio.org

Montgomery County Family and Children First Council - The City participates in the Montgomery County Family and Children First Council. The Council coordinates and integrates those services within Montgomery County which are available for families and children and establishes a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children. The Council is governed by a board of nineteen trustees, one of which is the Mayor of the City of Dayton. The City did not contribute to the operation of the Council during 2016. Financial information can be obtained from Tom Kelley, Executive Director, at 451 West Third Street, P.O. Box 972, Dayton, Ohio 45422-3100.

Hazardous Material Response Team - The City is a member of a Hazardous Material Response Team ("HAZMAT") which is a jointly governed organization with other local governments. The organization was created to provide hazardous material response protection and mutual assistance in the event of a hazardous material incident.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The HAZMAT Advisory Board oversees the operation of HAZMAT and consists of representatives from sixteen organizations. The City's ability to affect operations is limited to its representation on the Board.

The Board established hazardous materials incident response guidelines to provide for response procedures in the event of an incident. In the event of a hazardous material incident within any local government that is a member of this organization, the other members will respond to render assistance. The funding for the operation of the response team is through contributions from each entity. In addition, the persons or company responsible for any hazardous materials emergency is required by State law to reimburse the team any costs associated with clean up. There is no explicit and measurable equity interest in HAZMAT. During 2016, the City contributed \$20,314 to HAZMAT. Financial information can be obtained from Danny Bristow, Executive Director at 444 West Third Street, Suite 20-231, Dayton, Ohio 45402.

Montgomery County Office of Emergency Management - The Montgomery County Office of Emergency Management (MCOEM) is a jointly governed organization between various political subdivisions in the Miami Valley Region. The MCOEM is responsible for developing plans and programs that prepare the region to effectively prevent, respond to, and recover from catastrophic disasters.

The funding for the operation of the MCOEM is through contributions from each participating entity. Payments to the MCOEM are made from the general fund. The City contributed \$28,306 for the operation of the MCOEM during 2016. Financial information can be obtained from Jeff Jordan, Executive Director, 117 South Main Street, Suite 721, Dayton, Ohio 45422.

Montgomery County Regional Radio Council - The Montgomery County Regional Radio Council (the Council) is a Council of Governments that has representatives from political jurisdictions in Montgomery County, local colleges and universities and other entities that use the radio system. The Council was established to provide oversight and direction for the county-wide 800 MHz P25 public safety communications system. The Council is responsible for recommending the operating, maintenance and capital replacement budgets, approve fees and/or fee structures, monitoring the contract with the State of Ohio's Multi-Agency Radio Communication System (MARCS) and recommending operational policies and procedures. The Montgomery County Sheriff has the responsibility of daily operations.

The funding for the operation of the Council is through user fees from each participating entity. Payments to the Agency are made from the general fund. The City paid \$93,540 to the Council during 2016. Financial information can be obtained from Brian Humphress, MVCC Executive Director, 1195 Alex Bell Road, Centerville, Ohio 45459.

B. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service funds are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

1. **Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Debt service fund - To account for various revenues collected for payment of general obligation debt principal, interest and related costs.

Capital improvement fund - To account for resources used to purchase equipment and construct capital assets.

Other governmental funds of the City are used to account for grants and other resources whose use is restricted to a particular purpose. These funds are nonmajor funds whose activity has been aggregated and presented in a single column in the BFS.

2. **Proprietary Funds** - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

- a. **Enterprise Funds** - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Dayton International Airport - To account for the provision of air traffic, primarily commercial, including air freight. Revenues are derived from landing fees, concessionaire fees, and space rentals. The Dayton-Wright Brothers Airport is included in this fund.

Water - To account for the provision of water service and water pollution control activities of the City. The Department also provides water services to several areas outside the City. Revenue is generated by charges for services including those to other departments of the City. The water supply is maintained through the development of well fields, storage facilities and pumping.

Sewer - To account for the provision of sanitary sewer service to the residential, commercial, and industrial consumers of the City and various communities within the Dayton Metropolitan area. The charges for services are based on the City's needs for the cost of service and expenses of improvements to expand the capacity to meet the Environmental Protection Agency (EPA) standards.

Other enterprise funds of the City are used to account for the provision of storm sewers to the residents of the City and to account for the operations of the City's six golf courses. These funds are nonmajor funds whose activity has been aggregated and presented in a single column in the BFS.

- b. **Internal Service Funds** - The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds include programs for fleet maintenance, fire fleet maintenance, plumbing services, workers' compensation, health insurance and stores and reproduction services.
3. **Fiduciary Funds** - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds which are used to account for items such as building permit surcharges, prisoner's personal accounts, performance bonds, and as other situations where the City's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, and other governments.

D. Measurement Focus

Government-wide Financial Statements - The government-wide and proprietary fund financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the City are included on the statement of net position.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for the airport, water, sewer, storm water and golf enterprise funds and charges for services to other departments for goods and services provided by the internal service funds for fleet management, fire fleet management, stores and reproduction services, health insurance, a Workers' Compensation program and plumbing shop services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and agency funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year end.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, interest, grants, fees and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, See Note 18 for deferred outflows of resources related to the City's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Note 18 for deferred inflows of resources related to the City's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position and proprietary fund statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code, the City's Charter and City Ordinances and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget rate resolution, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, except agency funds, are legally required to be budgeted. The Capital Improvement fund and the HUD Programs fund, pursuant to the City's charter, are not required to be budgeted annually.

These funds' appropriations, after their initial appropriations by City Commission at the time capital monies/grants are received (bond proceeds, etc.), remain intact until they are expended or modified by City Commission. Such monies are appropriated on a project level with specific identification of each project being budgeted.

The City prepares its budget on a non-GAAP budgetary basis which is the modified accrual basis with certain exceptions. The legal level of budgetary control is at the department level. Budgetary modifications at this level may only be made by resolution of the City Commission.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenues of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unassigned fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2016.

Appropriations - A temporary appropriation measure to control expenditures may be passed prior to January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund and department level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations between line items within a department may be modified with approval of the Office of Management & Budget. All other modifications may only be made by ordinance of City Commission. During the year, several supplemental appropriation measures were passed. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Encumbrances - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to assign that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as assignments of fund balances for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each operating appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding calendar year.

G. Cash and Cash Equivalents

Cash balances of the City's funds, except cash and cash equivalents and investments held by fiscal agents, are pooled and invested in order to provide improved cash management. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the statement of net position.

During 2016, investments were limited to federal agency securities, U.S. Treasury notes, commercial paper, City owned debt, U.S. Government money market mutual funds and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for non-participating investment contracts, investments are stated at fair value which is based on quoted market prices. For U.S. Government money market mutual funds, fair value is determined by the fund's share price at December 31, 2016. Non-participating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

For purposes of the statement of cash flows and for presentation on the financial statements, the City's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents. Investments not part of the cash management pool, with an initial maturity of more than three months, are reported as investments.

The City utilizes a financial institution to service bonded debt as principal and interest payments become due. The balance in these accounts along with reserves held for replacement and improvement for enterprise funds, money held by the municipal court, money held by the Dayton Foundation and money in the executive savings plan are shown as "cash with fiscal and escrow agents" and "investments with fiscal and escrow agents".

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Interest income is distributed to the funds according to City Ordinance and statutory requirements. Interest revenue earned during 2016 was \$2,627,673 in the general fund, which includes \$2,114,907 assigned from other City funds.

H. Inventory of Supplies

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

I. Restricted Assets

Restricted assets are those which are legally restricted in their use by bond indentures, or other legal instruments. Restricted assets in the enterprise funds include “equity in pooled cash and investments” and “investments with fiscal and escrow agents”. The “equity in pooled cash and investments” represent utility deposits held by the City and the collateral account for the Jobs Ohio Loan. The “investment with fiscal and escrow agents” are the proceeds from bond and loan issues that are required by the investment indenture or loan agreement to be held by a financial services corporation.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City’s infrastructure consists of bridges, curbs, lighting, sidewalks, and roads. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is capitalized in the proprietary funds.

All reported capital assets are depreciated except for land, right of ways and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Improvements other than buildings	10 - 25 years	10 - 50 years
Buildings and improvements	30 - 50 years	30 - 50 years
Equipment	3 - 15 years	3 - 15 years
Vehicles	3 - 25 years	3 - 25 years
Software	5 - 10 years	5 - 10 years
Infrastructure	20 - 50 years	

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Interfund Balances

On fund financial statements, long-term interfund loans are classified as “advances to/from other funds” on the balance sheet. All other outstanding balances between funds are reported as “due to/from other funds”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

M. Compensated Absences

The City follows the provisions of Governmental Accounting Standards Board Statement No. 16 “Accounting for Compensated Absences”. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time and compensatory time when earned for all employees with more than one year of service.

Sick leave benefits are accrued using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations payable from governmental funds are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

O. Bond Premium and Discount/Accounting Gain or Loss

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and in the proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow or deferred outflow of resources

On the governmental fund financial statements, bond premiums and discounts are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 15.

P. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Q. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Commission (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Commission removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In accordance with the City's fund balance policy, assigned amounts represent intended uses established by policies of City Commission, which includes giving the Finance Director the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City's fund balance policy states that the City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within an unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

R. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

S. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

T. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The City did not have any net position restricted by enabling legislation.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

U. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

V. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2016, the City has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City incorporated the corresponding GASB 72 guidance into its 2016 financial statements; however, there was no effect on beginning net position/fund balance.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The City incorporated the corresponding GASB 77 guidance into its 2016 financial statements; however, there was no effect on beginning net position/fund balance..

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the City.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 in 2016. The City incorporated the corresponding GASB 79 guidance into its 2016 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - DEPOSITS AND INVESTMENTS

State Statutes classify monies held by the City into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits not required for use within the current five year period of designation of depositories as defined by the City's investment policy. Inactive deposits must either be evidenced by certificates of deposit maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits in interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Federally insured certificates of deposit; and
8. Commercial paper with the highest short-term credit rating of at least two nationally recognized standard rating services.

In addition to the securities listed above, the City may also invest any monies not required to be used for a period of six months or more in the following:

1. Repurchase Agreements with institutions having a signed master repurchase agreement on file with the Director of Finance or his/her designee, and only with primary dealers who have a long-term credit rating of "A" or better by two Nationally Recognized Statistical Rating Organizations "NRSROs", if the final maturity of the repurchase agreement is less than one week;
2. Securities Lending Agreements with institutions having a signed securities lending agreement on file with the Director of Finance;
3. Banker's Acceptances issued by financial institutions rated with the highest short-term credit rating of any two NRSROs, at the time of purchase;
4. Obligations or debt issuances of any Ohio political subdivision, including the City of Dayton; and

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. Corporate obligations rated at least “AA” or the equivalent, by a nationally recognized rating agency at the time of purchase.

Protection of the City’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the City had \$47,075 in undeposited cash on hand which is included on the financial statements of the City as part of “equity in pooled cash and investments”.

B. Cash and Investments with Fiscal Agent

At year-end, the City had \$9,514,757 in restricted cash and investments with fiscal agent held by a financial institution related to debt issuances.

C. Deposits with Financial Institutions

At December 31, 2016, the carrying amount of all City deposits was a deficit of \$1,612,376. As of December 31, 2016, \$5,674,426 of the City’s bank balance of \$6,424,426 was exposed to custodial risk as discussed below, while \$750,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the City’s deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository that are not covered by FDIC. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of December 31, 2016, the City had the following investments and maturities:

Measurement/ Investment type	Measurement Amount	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair Value:						
FFCB	\$ 35,853,643	\$ 5,002,280	\$ 2,301,127	\$ 5,223,354	\$ 7,390,870	\$ 15,936,012
FHLB	60,968,395	2,497,690	19,493,021	6,481,710	13,457,945	19,038,029
FHLMC	49,211,780	6,993,965	5,007,750	10,970,562	2,592,224	23,647,279
FNMA	78,950,730	-	5,004,520	4,489,195	7,728,055	61,728,960
U.S. Treasury Notes	15,653,111	-	6,954,404	2,487,800	-	6,210,907
Commercial Paper	25,985,370	21,413,860	4,571,510	-	-	-
City Owned Debt	1,205,000	-	-	-	-	1,205,000
U.S. Government						
Money Market	17,522,507	17,522,507	-	-	-	-
Amortized Cost:						
STAR Ohio	82,327,706	82,327,706	-	-	-	-
Total	<u>\$ 367,678,242</u>	<u>\$ 135,758,008</u>	<u>\$ 43,332,332</u>	<u>\$ 29,652,621</u>	<u>\$ 31,169,094</u>	<u>\$ 127,766,187</u>

The weighted average maturity of investments is 1.46 years.

The City's investments in federal agency securities, commercial paper and U.S. Treasury notes are valued using quoted market prices (Level 2 inputs).

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The City's investment policy limits its investments in federal agency securities to ratings of A or better by Standard & Poor's and Moody's Investor Services. The City's investments in federal agency securities and its investments in U.S. Government money market funds were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City’s investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities.

The following table includes the percentage of each investment type held by the City at December 31, 2016:

<u>Investment type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
Measurement/ Fair Value:		
FFCB	\$ 35,853,643	9.75
FHLB	60,968,395	16.58
FHLMC	49,211,780	13.38
FNMA	78,950,730	21.47
U.S. Treasury Notes	15,653,111	4.26
Commercial Paper	25,985,370	7.07
City Owned Debt	1,205,000	0.33
U.S. Government Money Market	17,522,507	4.76
Amortized Cost:		
STAR Ohio	<u>82,327,706</u>	<u>22.40</u>
Total	<u>\$ 367,678,242</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (1,612,376)
Investments	358,163,485
Investments - Cash with fiscal agent	9,514,757
Cash on hand	47,075
Cash with fiscal agent	<u>10,695</u>
Total	<u>\$ 366,123,636</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 116,178,246
Business type activities	241,626,797
Agency funds	<u>8,318,593</u>
Total	<u>\$ 366,123,636</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 5 - INTERFUND TRANSACTIONS

- A. Due from/to other funds consisted of the following at December 31, 2016, as reported on the fund statements:

<u>Due to</u>	<u>Due from</u>					<u>Due from Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Water</u>	<u>Sewer</u>	<u>Internal Service</u>	
General	\$ -	\$ 1,275	\$ 186	\$ -	\$ 167,190	\$ 168,651
Capital Improvement	18		-	-	125	143
Nonmajor Governmental	6,053		-	-	26,041	32,094
Dayton International Airport	97		-	175,345	1,946	177,388
Water	1,701	28,365	-	-	28,498	58,564
Sewer	384	4,994	3,097,541	-	11,227	3,114,146
Nonmajor Enterprise	3	2,497	607,981	-	4,747	615,228
Internal Service	16	-	272	-	1,217	1,505
Due to total	<u>\$ 8,272</u>	<u>\$ 37,131</u>	<u>\$ 3,705,980</u>	<u>\$ 175,345</u>	<u>\$ 240,991</u>	<u>\$ 4,167,719</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Amounts due to/from other funds between governmental funds are eliminated on the government-wide financial statements. Amounts due to/from other funds between governmental activities and business-type activities are reported as an internal balance on the statement of net position.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported on the fund statements:

<u>Transfer from</u>	Transfer to				<u>Total</u>
	<u>Debt Service</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	
General	\$ 175,100	\$ 4,717,498	\$ 143,553	\$ 241,000	\$ 5,277,151
Capital Improvement	355,505	-	-	260,000	615,505
Internal Service	<u>112,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,894</u>
Total	<u>\$ 643,499</u>	<u>\$ 4,717,498</u>	<u>\$ 143,553</u>	<u>\$ 501,000</u>	<u>\$ 6,005,550</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The City transferred \$112,894 from the fire fleet internal service fund to the debt service fund for related debt payments.

Transfers between governmental funds are eliminated on the government-wide financial statements. Transfers between governmental activities and business-type activities are reported as transfers on the statement of activities.

- C.** Advances to/from other funds for the year ended December 31, 2016, consisted of the following, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Debt Service	Nonmajor Enterprise	\$ 611,178
Internal Service	General	<u>74,682</u>
Total		<u>\$ 685,860</u>

Advances from the debt service fund to the golf fund (a nonmajor enterprise fund) are for debt service payments relating to the Series 2001 Golf Renovation General Obligation Bonds. The golf fund did not have the revenue to support complete repayment of the bonds. An agreement was made which allowed the debt service fund to pay a portion of the golf fund debt each year and the golf fund agreed to make payments of \$281,505 each year for twenty years, eight years longer than the original issue date. Repayment on the loan began in 2013 with the complete loan being retired in 2019.

Advances from the worker's compensation internal service fund to the general fund are for manuscript debt issued during 2011. A portion of this loan will be repaid annually, with the complete loan being retired in 2017.

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The City also has \$3,218,000 in manuscript bonds outstanding related to the recreational facilities project. The loan was made between sub-funds within the capital projects fund. Intrafund loans are not presented on the basic financial statements.

The City also has \$90,800 in manuscript bonds outstanding in the debt service fund related to special assessments. This loan was made between sub-funds of the debt service fund. Intrafund loans are not presented on the basic financial statements.

Advances between governmental funds and business-type activities are reported as an internal balance on the statement of net position.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. For Montgomery County, the first half payment is due the middle of February and the second half payment is due the middle of July.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Dayton. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes has been offset by deferred inflows of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2016 was \$10 per \$1,000 of assessed value. The assessed values of real and public utility property for tax year 2016 are as follows:

Real property

Residential/agricultural	\$ 897,241,600
Commercial/industrial	418,370,920

Public utility

Real	1,940,100
Personal	<u>105,105,660</u>
Total assessed value	<u>\$ 1,422,658,280</u>

NOTE 7 - INCOME TAX

On March 27, 1984, the City Commission levied a municipal income tax of 1.75% on substantially all income earned within the City. On May 6, 2014, at the regular primary election, the voters of the City approved a Charter Amendment authorizing the City Commission to levy an income tax at the annual rate of 2.25% for a continuing period commencing January 1, 2015. Ordinance 31288-14, being approved by the electorate, became effective January 1, 2015. On November 8, 2016, at the regular general election, the voters of the City approved a Charter Amendment authorizing the City Commission to levy an income tax at the annual rate of 2.5% for a period of eight (8) years commencing January 1, 2017 (2.25% is permanent and .25% is for a period of 8 years). Ordinance 31501-16, being approved by the electorate, became effective January 1, 2017. The City income tax also applies to the net income of businesses located or doing business within the City. The residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City's current tax rate.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City of Dayton at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The City of Dayton administers the collection of income taxes and the assessment of interest and penalties. Income tax proceeds are to be used to pay the cost of administering the tax and are recorded in the general fund. Income tax revenue for 2016, as reported in the governmental fund financial statements on the modified accrual basis of accounting, was \$109,550,885.

NOTE 8 - TAX INCREMENT FINANCING DISTRICT (TIF)

The City, pursuant to the Ohio Revised Code and City ordinances, has four active TIFs. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as "payments in lieu of taxes (PILOT)", as though the TIF had not been established. These "PILOTS" are then dedicated to the payments for various public improvements within or adjacent to the TIF area. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

PILOT revenue was \$1,687,149 in 2016 as reported in the fund financial statements. The TIF has a longevity of up to 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT's cease and property taxes then apply to the increased property values.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 9 - TAX ABATEMENTS

As of December 31, 2016, the City provides tax abatements through two programs—Community Reinvestment Area (CRA) and Enterprise Zone (Ezone). These programs relate to the abatement of property taxes.

CRA - Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The City has entered into agreements to abate property taxes through these programs. There are 9 parcels that have taxes abated through Ezone agreements and 401 parcels that have taxes abated through CRAs. During 2016, the City's property tax revenues were reduced as a result of these agreements as follows:

<u>Tax Abatement Program</u>	<u>City Taxes Abated</u>
CRA	\$ 1,203,900
Ezone	<u>308,399</u>
Total	<u>\$ 1,512,299</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 - RECEIVABLES

Receivables at December 31, 2016, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest, loans and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are both measurable and available at December 31, 2016, as well as intended to finance 2016 operations.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property and other local taxes	\$ 21,541,165
Municipal income taxes	16,445,987
Accounts	6,486,820
Payments in lieu of taxes	2,425,630
Special assessments	12,331,959
Accrued interest	324,311
Loans	38,808,962
Due from other governments	15,293,304

Business-type activities:

Accounts	15,563,261
Special assessments	1,522,928
Accrued interest	261,125
Due from other governments	1,028,839
Loans	1,282,233

Receivables have been disaggregated on the face of the basic financial statements. Amounts reported as “due from other governments” in the governmental activities include local government and local government revenue assistance from the State of Ohio, motor vehicle license and gasoline taxes, homestead and rollback, grants and estate taxes. The amounts reported as “due from other governments” in the business-type activities include various State and federal grants whose eligibility requirements have been met by year end. The only receivables not expected to be collected within the subsequent year are the special assessments and the loans. The special assessments are collected over the term of the assessment and the loans receivable which will be collected annually through 2040 (See Note 11).

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 11 - LOANS RECEIVABLE

A. Dayton-Montgomery County Port Authority

During 2008, the City issued \$32,000,000 in economic development revenue bonds payable from nontax revenues of the City. The City loaned \$20,100,000 of the proceeds to the Dayton-Montgomery County Port Authority (the "Port Authority") to assist in financing the costs of constructing a parking facility to be used by CareSource, a nonprofit corporation. The Port Authority will make loan payments semiannually on July 1 and December 1 at a 4.67% interest rate. The final loan payment is due December 1, 2028. The Port Authority is currently in default of this loan and unpaid interest adds to the principal outstanding on the loan. At December 31, 2016, the amount owed to the City was \$21,658,977. However, the City reports loans receivable net of uncollectible amounts. Due to the non-recourse language in the loan and the Port Authority's current state of default, the City has recorded a receivable of \$14,620,000 for this loan and considers \$7,038,977 uncollectible. However, the Port Authority remains liable for the entire balance of the loan, including the portion in default.

B. City-Wide Community Urban Redevelopment Corporation

On January 6, 2010, the City loaned the City-Wide Community Urban Redevelopment Corporation \$6,335,904 to assist in the construction of a new recreation complex. At the end of seven years, the loan may be forgiven in exchange for the City gaining ownership of the recreation complex. This loan has an interest rate of 3.95% per year with principal payments beginning January 1, 2021. The final loan payment is due December 1, 2039. At December 31, 2016, the amount owed to the City was \$6,335,904.

C. Dayton TechTown Investment Fund, LLC.

On June 28, 2010, the City loaned \$7,375,620 to Dayton TechTown Investment Fund, LLC for the continued development of a technology park. The loan has a 2.0% interest rate with required principal payments beginning June 27, 2017. The final loan payment is due June 27, 2040. At December 31, 2016, the amount owed to the City was \$6,375,620.

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 11 - LOANS RECEIVABLE – (Continued)

D. City-Wide Development Corporation (CWDC)

The City has various loans outstanding with City-Wide Development Corporation. CWDC is a private, non-profit development organization. The City received \$443,142 in loan payments during 2016 and made \$179,800 in new loans. A summary of the loans receivable outstanding by project are as follows:

<u>Project Name</u>	<u>Loan Receivable</u>
Landing Project	\$ 5,433,600
Wellfield	1,282,233
Hawthorne School	681,584
Phoenix Redevelopment	2,272,699
Webster Street	150,000
Tech Town	2,135,000
Tech Town 2	550,000
Patterson Square	100,000
Coco/Composite Advantage	21,000
Boost Technologies	66,888
Miami Valley Packing	66,667
Total	<u>\$ 12,759,671</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 12 - CAPITAL ASSETS

- A. Capital asset activity for the governmental activities for the year ended December 31, 2016 were as follows:

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/16</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 69,980,251	\$ -	\$ -	\$ 69,980,251
Construction in progress	11,091,570	24,822,426	(14,345,092)	21,568,904
Right-of-ways	<u>14,007,402</u>	<u>-</u>	<u>-</u>	<u>14,007,402</u>
Total capital assets, not being depreciated	<u>95,079,223</u>	<u>24,822,426</u>	<u>(14,345,092)</u>	<u>105,556,557</u>
<i>Capital assets, being depreciated:</i>				
Building improvements	148,604,479	6,719,353	-	155,323,832
Improvements other than buildings	62,283,621	273,877	-	62,557,498
Equipment	20,564,818	297,527	-	20,862,345
Software	1,321,531	104,217	-	1,425,748
Motor vehicles	45,880,523	3,923,323	(1,363,194)	48,440,652
Infrastructure	<u>323,219,412</u>	<u>7,536,997</u>	<u>-</u>	<u>330,756,409</u>
Total capital assets, being depreciated	<u>601,874,384</u>	<u>18,855,294</u>	<u>(1,363,194)</u>	<u>619,366,484</u>
<i>Less: accumulated depreciation</i>				
Building improvements	(83,505,407)	(2,575,621)	-	(86,081,028)
Improvements other than buildings	(43,412,804)	(1,136,778)	-	(44,549,582)
Equipment	(13,821,984)	(1,944,084)	-	(15,766,068)
Software	(661,496)	(167,186)	-	(828,682)
Motor vehicles	(33,344,581)	(2,392,366)	1,363,194	(34,373,753)
Infrastructure	<u>(93,900,418)</u>	<u>(7,107,309)</u>	<u>-</u>	<u>(101,007,727)</u>
Total accumulated depreciation	<u>(268,646,690)</u>	<u>(15,323,344)</u>	<u>1,363,194</u>	<u>(282,606,840)</u>
Total capital assets being depreciated, net	<u>333,227,694</u>	<u>3,531,950</u>	<u>-</u>	<u>336,759,644</u>
Governmental activities capital assets, net	<u>\$ 428,306,917</u>	<u>\$ 28,354,376</u>	<u>\$ (14,345,092)</u>	<u>\$ 442,316,201</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 12 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions of the governmental activities as follows:

Governmental activities:

Downtown	\$ 388,332
Youth, education and human services	3,064
Community development and neighborhoods	480,901
Economic development	648,012
Leadership and quality of life	9,631,598
Corporate responsibility	880,534
Public safety and justice	<u>3,290,903</u>
Total depreciation expense - governmental activities	<u>\$ 15,323,344</u>

B. Capital asset activity for the business-type activities for the year ended December 31, 2016, were as follows:

	<u>Balance</u>		<u>Balance</u>
	<u>12/31/15</u>	<u>Additions</u>	<u>12/31/16</u>
		<u>Deductions</u>	
Business-type activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 42,965,353	\$ -	\$ 42,965,353
Construction in progress	<u>34,696,930</u>	<u>51,153,347</u>	<u>(58,148,868)</u>
Total capital assets, not being depreciated	<u>77,662,283</u>	<u>51,153,347</u>	<u>70,666,762</u>
<i>Capital assets, being depreciated:</i>			
Buildings and improvements	227,408,836	1,867,141	-
Improvements other than buildings	736,864,685	62,007,481	-
Equipment	21,156,015	723,333	-
Software	1,684,834	829,936	-
Vehicles	<u>44,201,761</u>	<u>1,589,523</u>	<u>(18,893)</u>
Total capital assets, being depreciated	<u>1,031,316,131</u>	<u>67,017,414</u>	<u>(18,893)</u>
<i>Less: accumulated depreciation</i>			
Buildings and improvements	(100,302,156)	(4,931,830)	-
Improvements other than buildings	(436,628,521)	(16,334,629)	-
Equipment	(15,366,380)	(1,558,958)	-
Software	(639,988)	(332,757)	-
Vehicles	<u>(28,781,650)</u>	<u>(1,911,672)</u>	<u>18,893</u>
Total accumulated depreciation	<u>(581,718,695)</u>	<u>(25,069,846)</u>	<u>18,893</u>
Total capital assets being depreciated, net	<u>449,597,436</u>	<u>41,947,568</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 527,259,719</u>	<u>\$ 93,100,915</u>	<u>\$ (58,148,868)</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 12 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds as follows:

Business-type Activities:

Dayton International Airport	\$ 12,575,510
Water	7,098,170
Sewer	4,514,490
Storm water	636,090
Golf	<u>245,586</u>
Total depreciation expense - business-type activities	<u>\$ 25,069,846</u>

- C. Outstanding contractual commitments related to construction in progress for the year ended December 31, 2016, was as follows:

Governmental activities	\$ 18,127,735
Water	8,127,088
Sewer	13,941,376
Dayton International Airport	<u>15,050,419</u>
Total outstanding contractual commitments	<u>\$ 55,246,618</u>

NOTE 13 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE

In 2015, the City entered into a lease purchase agreement to assist in the purchase of new radio equipment.

General capital assets acquired by the agreement have been capitalized in the amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide financial statements. The City made principal payments of \$1,621,171 in the capital improvements fund, \$139,677 in the Dayton International Airport Fund, \$234,955 in the water fund, \$128,601 in the sewer fund and \$23,418 in the stormwater fund (a nonmajor enterprise fund).

Capital assets consisting of equipment have been capitalized in the amount of \$2,643,516. This amount represents the present value of the minimum lease payments at the time of acquisition. The radios are being used by both enterprise and governmental activities and are capitalized in the amount of \$1,995,320 in the governmental activities, \$289,179 in the water fund, \$158,281 in the sewer fund, \$171,913 in the Dayton International Airport Fund and \$28,823 in the storm water fund (a nonmajor enterprise fund). The lease obligation was satisfied during 2016, no future payments are required.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 14 - OPERATING LEASE - LESSEE AND LESSOR DISCLOSURE

- A. The City is the lessor of land and space at the Dayton International Airport (the “Airport”) under noncancellable leases. The leases are between the Dayton International Airport and various vendors that use the Airport for their operations. The cost of the leased area, the carrying value and the annual depreciation expense cannot be accurately determined as they represent varying percentages of the overall land and building assets of the Airport. The leases have varying terms from one to 54 years. The future minimum lease payments as of December 31, 2016, are as follows:

<u>Year Ending December 31,</u>	<u>Minimum Lease Payments</u>
2017	\$ 6,328,787
2018	4,509,874
2019	2,174,204
2020	2,087,429
2021	1,603,439
2022 - 2026	5,482,236
2027 - 2031	3,663,108
2032 - 2036	2,940,289
2037 - 2041	1,140,519
2042 - 2046	908,526
2047 - 2051	908,526
2052 - 2056	765,728
2057 - 2061	591,196
2062 - 2066	472,957
2067 - 2071	<u>4,105</u>
Totals	<u>\$ 33,580,923</u>

- B. The City is the lessee of Recplex facility. The lease is between City-Wide Community Urban Redevelopment Corporation and the City of Dayton (See Note 11). The City is responsible for the operation and maintenance of the facility. This lease agreement expires on December 31, 2039 or upon written agreement by the City-Wide Community Urban Redevelopment Corporation and the City. The future minimum lease payments as of December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	<u>Minimum Lease Payments</u>
2017	\$ 405,000
2018	417,150
2019	429,665
2020	442,554
2021	455,831
2022 - 2026	2,492,671
2027 - 2031	2,889,689
2032 - 2036	3,349,941
2037 - 2039	<u>2,260,916</u>
Totals	<u>\$ 13,143,417</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 14 - OPERATING LEASE - LESSEE AND LESSOR DISCLOSURE – (Continued)

C. The City is the lessor of various parcels of lands and buildings for multiple purposes within the governmental activities, including economic development, recreation services, and public works. The leases are between the City and various vendors. The leases have varying terms from one to 24 years. The future minimum lease payments as of December 31, 2016, are as follows:

Year Ending <u>December 31,</u>	<u>Minimum Lease Payments</u>
2017	\$ 369,399
2018	253,173
2019	306,042
2020	184,052
2021	172,052
2022 - 2026	860,099
2027 - 2031	891,436
2032 - 2036	859,488
2037 - 2041	<u>374,186</u>
Totals	<u>\$ 4,269,927</u>

NOTE 15 - LONG-TERM OBLIGATIONS

A. The changes in the City's governmental activities long-term obligations during the year consist of the following:

	Issue Date	Maturity Date	Interest Rate (%)	Original		Increase	Decrease	Balance 12/31/16	Amounts
				Issue Amount	Balance 12/31/15				Due in One Year
Governmental activities:									
General obligation bonds:									
Capital facilities	10/25/07	12/01/27	4.0 - 5.0	19,745,000	6,410,000	-	(3,805,000)	2,605,000	1,045,000
Various purpose and refunding	07/28/09	12/01/29	2.5 - 5.0	26,483,111	12,185,000	-	(1,505,000)	10,680,000	1,560,000
Various Purpose GO Bonds	12/15/16	12/01/36	2.0 - 5.0	12,210,000	-	12,210,000	-	12,210,000	690,000
Energy conservation bonds	06/11/11	12/01/25	4.98	1,615,000	1,185,000	-	(110,000)	1,075,000	115,000
Various purpose bonds	10/11/12	12/01/32	3.0 - 4.0	11,385,000	9,050,000	-	(980,000)	8,070,000	860,000
Various purpose bonds	9/9/14	12/01/34	1.25 - 4.0	5,700,000	<u>5,415,000</u>	<u>-</u>	<u>(325,000)</u>	<u>5,090,000</u>	<u>335,000</u>
Total general obligation bonds					<u>34,245,000</u>	<u>12,210,000</u>	<u>(6,725,000)</u>	<u>39,730,000</u>	<u>4,605,000</u>
Revenue bonds:									
Baseball revenue refunding bonds	12/30/09	12/01/19	2.25 - 3.5	7,925,000	3,410,000	-	(815,000)	2,595,000	835,000
Economic development	09/22/10	12/1/31	2.0 - 4.125	2,500,000	2,045,000	-	(100,000)	1,945,000	100,000
Economic development refunding bonds	11/14/12	12/01/28	3.0 - 5.0	24,170,000	<u>20,745,000</u>	<u>-</u>	<u>(1,230,000)</u>	<u>19,515,000</u>	<u>1,275,000</u>
Total revenue bonds					<u>26,200,000</u>	<u>-</u>	<u>(2,145,000)</u>	<u>24,055,000</u>	<u>2,210,000</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

	Issue	Maturity	Original Issue	Balance			Balance	Amounts Due in
<i>Governmental activities:</i>	<u>Date</u>	<u>Date</u>	<u>Amount</u>	<u>12/31/15</u>	<u>Increase</u>	<u>Decrease</u>	<u>12/31/16</u>	<u>One Year</u>
Ohio Public Works Commission loans:								
Ohio Public Works								
Commission loan	07/01/02	07/01/17	\$ 239,750	\$ 53,824	\$ -	\$ (26,511)	\$ 27,313	\$ 27,313
Ohio Public Works								
Commission loan	4/5/2013	7/1/2029	556,971	501,275	-	(501,275)	-	-
Ohio Public Works								
Commission loan	1/1/2016	1/1/2031	323,885	-	323,885	(10,796)	313,089	21,592
Ohio Public Works								
Commission loan	7/1/2016	7/1/2031	133,189	-	133,189	-	133,189	8,879
Ohio Public Works								
Commission loan	7/1/2016	7/1/2031	642,814	-	642,814	-	642,814	42,854
Total Ohio Public Works Commission loans				<u>555,099</u>	<u>1,099,888</u>	<u>(538,582)</u>	<u>1,116,405</u>	<u>100,638</u>
Other long-term obligations:								
Ohio Department of								
Development loan	04/01/10	04/21/25	2,860,000	2,694,829	-	(254,025)	2,440,804	261,750
State Infrastructure								
Bank loan	12/4/2014	11/15/2036	2,500,000	2,500,000	68,125	-	2,568,125	95,356
State Infrastructure								
Bank bonds	12/4/14	11/15/2036	3,540,000	3,540,000	-	(75,000)	3,465,000	150,000
Net pension liability				149,445,640	41,943,331	-	191,388,971	-
Lease purchase agreement				1,621,171	-	(1,621,171)	-	-
Judgments				103,657	315,618	(246,065)	173,210	173,210
Claims				7,524,933	20,626,942	(22,223,250)	5,928,625	3,361,810
Compensated absences				9,143,114	7,854,698	(7,626,371)	9,371,441	5,978,839
Total other long-term obligations				<u>176,573,344</u>	<u>70,808,714</u>	<u>(32,045,882)</u>	<u>215,336,176</u>	<u>10,020,965</u>
Total governmental activities				<u>\$ 237,573,443</u>	<u>\$ 84,118,602</u>	<u>\$ (41,454,464)</u>	<u>280,237,581</u>	<u>\$ 16,936,603</u>
Add: unamortized bond premiums and discounts							<u>5,712,497</u>	
Total on statement of net position							<u>\$ 285,950,078</u>	

General obligation bonds were used to construct street improvements and government construction projects. All general obligation bonds will be paid through the debt service fund from property tax revenues and other revenue sources of the City.

On October 25, 2007, the City issued \$19,745,000 in general obligation bonds to advance refund \$10,035,000 of outstanding general obligation bonds. The remaining issuance of \$9,540,000 was used for capital improvements. The \$10,035,000 issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

The refunding issue is comprised of current interest bonds, par value \$19,745,000. The interest rates on the current interest bonds range from 4.0% to 5.0%. Interest payments of the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2027.

On July 28, 2009, the City issued general obligation bonds (Series 2009 various purpose and refunding bonds) in the amount of \$27,255,000 for the following purposes: \$771,889 to advance refund the callable portion of the Series 2001 golf renovation general obligation bonds, \$5,023,111 to advance refund the callable portion of the Series 2001 capital facilities general obligation bonds, \$8,730,000 to advance refund the callable portion of the Series 1998 capital facilities general obligation bonds and \$12,730,000 for capital improvements. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 1998 capital facilities general obligation bonds at December 31, 2016, is \$3,690,000

The refunding issue for governmental activities is comprised of current interest bonds, par value \$26,483,111. The interest rates on the current interest bonds range from 2.50% - 5.00%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated on the issue is December 1, 2029.

The reacquisition price exceeded the net carrying amount of the old debt by \$639,021. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

On October 11, 2012, the City issued \$42,285,000 in various purpose bonds (Series 2012 various purpose bonds). Of this issue, \$15,300,000 is reported as a liability in the water fund, \$15,600,000 is reported as a liability in the sewer fund and the remaining \$11,385,000 is a liability in the governmental activities. \$2,460,000 was used to advance refund the callable portion of the Series 2004 capital facilities bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$519,666. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The City has pledged future nontax revenues in the City's general fund to repay \$12,190,000 in Series 1999 economic development revenue bonds. The proceeds were used for the Dayton baseball stadium project. On December 30, 2009, the City issued revenue bonds (Series 2009 baseball revenue refunding bonds) to advance refund the callable portion of the Series 1999 baseball revenue bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$180,965. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

The balance of the refunded Series 1999 baseball revenue bonds at December 31, 2016 is \$2,960,000. The Series 1999 revenue bonds are payable solely from nontax revenues in the City's general fund and are payable through 2019. The most significant amounts of nontax revenues in the City's general fund which are pledged for these purposes are derived from charges for services, investment earnings, fines and forfeitures and license and permit fees. Annual principal and interest payments on the revenue bonds are expected to require less than 2.69 percent of general fund nontax revenues. The total principal and interest remaining to be paid on the Series 2009 baseball revenue refunding bonds is \$2,771,950. Principal and interest paid for the current year on the Series 1999 baseball revenue bonds was \$815,000 and \$110,205. General fund nontax revenues for the current year were \$34,417,210.

The City has pledged future nontax revenues in the City's general fund to repay \$32,000,000 in Series 2008 economic development revenue bonds. The proceeds were used for the construction of parking facilities and a loan to the Dayton-Montgomery County Port Authority related to the construction of the parking facility. On November 14, 2012, the City issued revenue bonds (Series 2012 economic development refunding bonds) to advance refund the Series 2008 economic development bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 2008 economic development revenue bonds at December 31, 2016 is \$23,825,000. The Series 2012 revenue bonds are payable solely from nontax revenues in the general fund and are payable through 2028. The most significant amounts of nontax revenues in the City's general fund which are pledged for these purposes are derived from charges for services, investment earnings, fines and forfeitures and license permit fees. Annual principal and interest payments on the revenues bonds are expected to require less than 5.91 percent of general fund nontax revenues. The City has designated, through authorizing legislation, nontax revenues from the loan payments made by the Port Authority and income and profit related to the parking facility to be used for the debt repayment. The total principal and interest remaining to be paid on the Series 2012 revenue bonds is \$24,374,562. Principal and interest paid for the current year on the refunding revenue bonds was \$1,230,000 and \$803,750. General fund nontax revenues for the current year were \$34,417,210.

The reacquisition price exceeded the net carrying amount of the old debt by \$675,285. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The City has pledged future nontax revenues in the City's general fund to repay \$2,500,000 in Series 2010 economic development revenue bonds. The proceeds were used to assist in financing the costs of the demolition, site remediation and construction of public and private infrastructure improvements located in the Tech Town commercial park. The Series 2010 revenue bonds are payable solely from nontax revenues in the general fund and are payable through 2031. The most significant amounts of nontax revenues in the City's general fund which are pledged for these purposes are derived from charges for services, investment earnings, fines and forfeitures and license permit fees. Annual principal and interest payments on the revenue bonds are expected to require less than .51 percent of general fund nontax revenues. The total principal and interest remaining to be paid on the Series 2010 revenue bonds is \$2,612,139. Principal and interest paid for the current year was \$100,000 and \$75,079. General fund nontax revenues for the current year were \$34,417,210.

On September 9, 2014, the City issued various purpose general obligation bonds, par value \$5,700,000. The interest rates on the current interest bonds range from 1.25% to 4.0%. Interest payments of the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2034.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

On December 15, 2016, the City issued \$18,110,000 in various purpose bonds (Series 2016 various purpose bonds). Of this issue, \$5,900,000 is reported as a liability in the water fund and the remaining \$12,210,000 is a liability of the governmental activities. \$2,710,000 was used to advance refund the callable portion of the Series 2007 capital facilities bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 2007 capital facilities general obligation bonds at December 31, 2016, is \$2,775,000

The reacquisition price exceeded the net carrying amount of the old debt by \$101,310. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 11 years by \$200,844 and resulted in an economic gain of \$177,016.

The City has five Ohio Public Works Commission loans that will be repaid from the debt service fund. The first loan was issued for the East Fifth Street rehabilitation project. The loan was issued at a 3.0% interest rate and a maturity date of July 1, 2017. The second loan was issued for the Brown Street reconstruction project. The loan was issued at 0% interest rate with a maturity date of July 2029. The City paid this loan in full during 2016. The third loan was issued at 0% interest rate with a maturity date of January 1, 2031 for Keowee Street rehabilitation. The fourth loan was issued at 0% interest rate with a maturity date of July 1, 2031 for River Corridor Drive rebuild. The fifth loan was issued at 0% interest rate with a maturity date of July 1, 2031 for South Smithville Road project phase I.

The Ohio Department of Development loan was issued for development of the Tech-Town project. The loan was issued at a 0% interest rate for the first sixty months and 3% for the remainder of the loan. There are no principal payments due on the loan for the first sixty months. The maturity date is April 1, 2025.

Compensated absences will be paid from the fund from which the employees' salaries are paid, which for the City, is primarily the general fund, the Street fund (a nonmajor governmental fund) and the HUD Programs fund (a nonmajor governmental fund).

The judgments payable liability will be paid from the general fund. The claims payable liability will be paid from the Worker's Compensation Internal Service fund and the Health Insurance Internal Service fund.

See Note 13 for detail on the lease purchase agreement.

See Note 18 for detail on the net pension liability.

On December 4, 2014, the Ohio Department of Transportation ("ODOT") issued the City bonds, par value \$3,540,000 and a loan in the amount of \$2,500,000 and capitalized interest of \$68,125 through the State Infrastructure Bank ("SIB"). The bonds have a final maturity date of November 15, 2036 and an interest rate of 3.428%, with semi-annual principal and interest payments. The loan has a maturity date of November 1, 2036, with a 3.0% interest rate, beginning December 4, 2015. Principal and interest payments are due semi-annually. The loan had a zero percent interest rate until December 4, 2015.

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006.

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2016, the City's total debt margin was \$97,370,700 and the unvoted debt margin was \$26,237,786.

The following is a schedule of future principal and interest payments to retire the long-term obligations outstanding at December 31, 2016 for the governmental activities:

Year Ending December 31,	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 4,605,000	\$ 1,519,165	\$ 6,124,165	\$ 2,210,000	\$ 913,184	\$ 3,123,184
2018	4,710,000	1,373,812	6,083,812	2,300,000	833,799	3,133,799
2019	4,070,000	1,200,787	5,270,787	2,395,000	735,866	3,130,866
2020	3,380,000	1,023,735	4,403,735	1,575,000	631,641	2,206,641
2021	2,345,000	896,083	3,241,083	1,650,000	554,322	2,204,322
2022 - 2026	11,295,000	3,189,506	14,484,506	9,280,000	1,749,665	11,029,665
2027 - 2031	6,655,000	1,192,643	7,847,643	4,645,000	285,174	4,930,174
2032 - 2034	2,670,000	240,722	2,910,722	-	-	-
Totals	\$ 39,730,000	\$ 10,636,453	\$ 50,366,453	\$ 24,055,000	\$ 5,703,651	\$ 29,758,651

Year Ending December 31,	Ohio Public Works Commission Loans			Ohio Department of Development Loan		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 100,638	\$ 616	\$ 101,254	\$ 261,750	\$ 75,447	\$ 337,197
2018	73,326	-	73,326	269,713	66,820	336,533
2019	73,327	-	73,327	277,917	57,934	335,851
2020	73,325	-	73,325	286,372	48,773	335,145
2021	73,326	-	73,326	295,079	39,340	334,419
2022 - 2026	366,628	-	366,628	1,049,973	59,257	1,109,230
2027 - 2031	355,835	-	355,835	-	-	-
Totals	\$ 1,116,405	\$ 616	\$ 1,117,021	\$ 2,440,804	\$ 347,571	\$ 2,788,375

Year Ending December 31,	State Infrastructure Bank Bonds			State Infrastructure Bank Loan		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 150,000	\$ 105,744	\$ 255,744	\$ 95,356	\$ 76,334	\$ 171,690
2018	150,000	103,494	253,494	98,238	73,452	171,690
2019	150,000	101,056	251,056	101,207	70,483	171,690
2020	150,000	97,962	247,962	104,266	67,424	171,690
2021	150,000	94,494	244,494	107,418	64,272	171,690
2022 - 2026	780,000	409,847	1,189,847	587,797	270,653	858,450
2027 - 2031	885,000	281,286	1,166,286	682,164	176,286	858,450
2032 - 2036	1,050,000	110,753	1,160,753	791,679	66,771	858,450
Totals	\$ 3,465,000	\$ 1,304,636	\$ 4,769,636	\$ 2,568,125	\$ 865,675	\$ 3,433,800

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

B. The changes in the City's business-type activities long-term obligations during the year consist of the following:

<i>Business-type activities:</i>	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 12/31/15	Increase	Decrease	Balance 12/31/16	Amounts Due in One Year
General obligation bonds:									
Water	10/11/2012	12/1/2032	3.0 - 4.0	\$15,300,000	\$ 12,705,000	\$ -	\$ (965,000)	\$ 11,740,000	\$ 705,000
Sewer	10/11/2012	12/1/2032	3.0 - 4.0	15,600,000	12,970,000	-	(990,000)	11,980,000	720,000
Dayton International Airport parking garage	07/28/2009	12/1/2029	1.75 to 6.5	10,820,000	1,315,000	-	(420,000)	895,000	435,000
Dayton International Airport refunding bonds	12/3/2015	12/1/2029	1.0 to 4.0	8,045,000	8,045,000	-	(145,000)	7,900,000	140,000
Wellfield	12/15/2016	12/1/2036	2.0 to 5.0	5,900,000	-	5,900,000	-	5,900,000	280,000
Total general obligation bonds					<u>35,035,000</u>	<u>5,900,000</u>	<u>(2,520,000)</u>	<u>38,415,000</u>	<u>2,280,000</u>
Revenue bonds:									
Water	12/3/2015	12/1/2035	1.0 to 4.0	15,090,000	15,090,000	-	(555,000)	14,535,000	560,000
Sewer	12/3/2015	12/1/2035	1.0 to 4.0	15,770,000	15,770,000	-	(580,000)	15,190,000	585,000
Dayton International Airport	12/30/2015	12/1/2035	3.0 to 5.0	21,545,000	21,545,000	-	(690,000)	20,855,000	780,000
Dayton International Airport	9/9/2014	12/01/2032	2.30 to 5.00	26,950,000	25,555,000	-	(1,060,000)	24,495,000	1,090,000
Dayton International Airport	12/15/2016	12/1/2041	3.0 to 5.0	33,050,000	-	33,050,000	-	33,050,000	610,000
Total revenue bonds					<u>77,960,000</u>	<u>33,050,000</u>	<u>(2,885,000)</u>	<u>108,125,000</u>	<u>3,625,000</u>
Other long-term obligations									
Ohio water development authority loan	01/01/2003	07/01/2023	3.80 to 3.95	15,079,710	6,862,691	-	(831,353)	6,031,338	863,616
Ohio public works Commission loan	07/01/1997	01/01/2020	0.00	1,000,000	250,000	-	(50,000)	200,000	50,000
JOBS Ohio loan	09/01/2016	04/01/2037	2.0 to 3.0	5,000,000	-	5,000,000	-	5,000,000	132,992
Compensated absences payable					3,627,674	2,527,903	(2,377,192)	3,778,385	2,410,553
Net pension liability					34,245,875	14,342,480	-	48,588,355	-
Lease purchase agreement					526,651	-	(526,651)	-	-
Total other long-term obligations					<u>45,512,891</u>	<u>21,870,383</u>	<u>(3,785,196)</u>	<u>63,598,078</u>	<u>3,457,161</u>
Total business-type activities					<u>\$ 158,507,891</u>	<u>\$ 60,820,383</u>	<u>\$ (9,190,196)</u>	<u>210,138,078</u>	<u>\$ 9,362,161</u>
Add: unamortized bond premiums and discounts								<u>4,256,432</u>	
Total on statement of net position								<u>\$ 214,394,510</u>	

Enterprise fund general obligation bonds were used for capital improvements related to water and sewer, and construction of a parking facility at the Dayton International Airport. The bonds will be paid from the water fund, the sewer fund and the Dayton International Airport fund, respectively.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

On July 28, 2009, the City issued taxable general obligation bonds (Series 2009 Dayton International Airport parking garage bonds) for the acquisition, construction, furnishing and equipping of airport improvements, including parking facilities. The issue is comprised of current interest bonds, par value \$10,820,000. The interest rates on the current interest bonds range from 1.75 - 6.50%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2029. During 2015, the City issued general obligation bonds (Series 2015 refunding bonds) to refund a portion of the Series 2009 Dayton International Airport parking garage bonds. The balance of the refunded series 2009 bonds was \$7,275,000.

On December 3, 2015, the City issued airport refunding bonds (Series 2015 Airport Refunding Bonds), par value \$8,045,000. The interest rates on the current interest bonds range from 1.0 – 4.0%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The proceeds was used to advance refund a portion of the Series 2009 Dayton Internal Airport parking garage bonds. The issuance proceeds were deposited into an escrow trust fund, which consists of cash and direct or guaranteed non-callable government obligations. The principal of this escrow trust, when due, will be sufficient to pay on the redemption date the principal of, redemption premium and interest on the Series 2009 bonds. This refunded debt is considered defeased (in substance) and accordingly, has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,236,884. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

On December 3, 2015 the City issued \$15,090,000 in water revenue bonds. The interest rates on the current interest bonds range from 1.0% to 4.0%. The City has pledged future water revenues, net of specified operating expenses, to repay the Series 2015 water system revenue bonds. The proceeds were used for water capital improvements. The Series 2015 revenue bonds are payable solely from revenues in the water fund and are payable through 2035. Annual principal and interest payments on the bonds are expected to require 8.72 percent of net customer revenues. The total principal and interest remaining to be paid on the Series 2015 revenue bonds is \$20,494,999. Principal and interest paid for the current year and total customer net revenues were \$1,074,957 and \$12,324,998, respectively.

On December 3, 2015, the City issued \$15,770,000 in sewer revenue bonds. The interest rates on the current interest bonds range from 1.0% to 4.0%. The City has pledged future sewer revenues, net of specified operating expenses, to repay the Series 2015 sewer system revenue bonds. The proceeds were used for sewer capital improvements. The Series 2015 revenue bonds are payable solely from revenues in the sewer fund and are payable through 2035. Annual principal and interest payments on the bonds are expected to require 13.66 percent of net customer revenues. The total principal and interest remaining to be paid on the Series 2015 revenue bonds is \$21,420,822. Principal and interest paid for the current year and total customer net revenues were \$1,123,377 and \$8,225,462, respectively.

On December 30, 2015, the City issued \$21,545,000 in Airport revenue bonds. The interest rates on the current interest bonds range from 3.0% to 5.0%. The City has pledged future airport revenues, net of specified operating expenses, to repay the Series 2015 Airport revenue bonds. The proceeds were used for the acquisition and construction of airport improvements. The Series 2015 revenue bonds are payable solely from revenues from the airport fund and are payable through 2035.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

On December 15, 2016, the City issued \$33,050,000 in Airport revenue bonds. The interest rates on the current interest bonds range from 3.0% to 5.0%. The City has pledged future airport revenues, net of specified operating expenses, to repay the Series 2016 Airport revenue bonds. The proceeds were used for the acquisition and construction of airport improvements. The Series 2016 revenue bonds are payable solely from revenues from the airport fund and are payable through 2041.

On September 9, 2014, the City issued airport revenue bonds (Series 2014 Bonds), par value \$26,950,000. The proceeds were used to advance refund the Series 2003A and 2003C revenue bonds. The issuance proceeds were deposited into an escrow trust fund, which consists of cash and direct or guaranteed non-callable government obligations. The principal of this escrow trust, when due, will be sufficient to pay on the redemption date the principal of, redemption premium and interest on the Series 2003A and 2003C bonds. This refunded debt is considered defeased (in substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 2003A and 2003C airport revenue bonds at December 31, 2016 is \$25,905,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$534,479. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The City has pledged future airport revenues, net of specified operating expenses, to repay the Series 2014, 2015 and 2016 airport revenue bonds. The Series 2014, 2015, and 2016 airport revenue bonds are payable solely from airport net revenues and are payable through 2041. Annual principal and interest payments on the bonds are expected to require 36.24 percent of net customer revenues. Net customer revenues included both PFC and CFC charges that were used for debt service. The total principal and interest remaining to be paid on the Series 2014, 2015 and 2016 airport revenue bonds is \$120,154,726. Principal and interest paid for the current year and total customer net revenues were \$3,595,836 and \$9,922,476, respectively.

The City of Dayton's Wastewater Treatment Plant capital improvement project is funded through the joint efforts of the United States Environmental Protection Agency (EPA) and the Ohio Water Development Authority (OWDA). Repayment amounts include capital expenses, administration fees, and accrued interest. The Ohio Water Development Authority Loan will be paid from the sewer enterprise fund. At December 31, 2016, the City had outstanding borrowings of \$6,031,338 through OWDA.

The City has pledged future sewer revenues to repay OWDA loans. The loans are payable solely from sewer fund revenues and are payable through 2023. Annual principal and interest payments on the loans are expected to require 12.98 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$6,672,450. Principal and interest paid for the current year were \$1,051,785 and customer net revenues were \$8,225,462.

In 1997, the City was granted a \$1,000,000 loan from the Ohio Public Works Commission. The purpose of the loan is to finance and reimburse the costs of replacing a wastewater treatment laboratory facility to meet Ohio Environmental Protection Agency and the Occupational Safety and Health Association requirements. The loan is being paid out of the sewer fund over 20 years, with semi-annual payments of \$25,000. There is no interest on this loan.

During 2016, the City was granted a \$5,000,000 loan from Jobs Ohio. The purpose of the loan is to build a maintenance hangar at the airport. The loan is being paid out of Dayton International Airport fund. The final maturity is April 1, 2037 and the interest rate on the loan is 2 to 3 percent.

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

Compensated absences will be paid from the fund from which the employees' salaries are paid which are the Dayton International Airport fund, the Water fund, the Sewer fund, the Storm Water fund and the Golf fund.

See Note 18 for detail on the net pension liability.

The following is a schedule of future principal and interest payments to retire the long-term obligations outstanding at December 31, 2016 for the business-type activities.

Year Ending December 31,	Revenue Bonds			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 3,625,000	\$ 4,282,092	\$ 7,907,092	\$ 2,280,000	\$ 1,448,781	\$ 3,728,781
2018	3,745,000	4,203,310	7,948,310	2,360,000	1,366,075	3,726,075
2019	4,130,000	4,055,061	8,185,061	2,420,000	1,269,426	3,689,426
2020	4,285,000	3,893,560	8,178,560	2,505,000	1,184,474	3,689,474
2021	4,430,000	3,754,786	8,184,786	2,500,000	1,102,275	3,602,275
2022 - 2026	24,395,000	16,515,515	40,910,515	11,110,000	4,176,863	15,286,863
2027 - 2031	29,895,000	11,008,022	40,903,022	11,710,000	1,846,812	13,556,812
2032 - 2036	23,770,000	4,816,651	28,586,651	3,530,000	263,788	3,793,788
2037 - 2041	9,850,000	1,416,550	11,266,550	-	-	-
Totals	<u>\$ 108,125,000</u>	<u>\$ 53,945,547</u>	<u>\$ 162,070,547</u>	<u>\$ 38,415,000</u>	<u>\$ 12,658,494</u>	<u>\$ 51,073,494</u>

Year Ending December 31,	OWDA Loan			OPWC Loan		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 863,616	\$ 174,525	\$ 1,038,141	\$ 50,000	\$ -	\$ 50,000
2018	897,134	148,368	1,045,502	50,000	-	50,000
2019	931,950	121,195	1,053,145	50,000	-	50,000
2020	968,119	92,968	1,061,087	50,000	-	50,000
2021	1,005,692	63,645	1,069,337	-	-	-
2022 - 2025	1,364,827	40,411	1,405,238	-	-	-
Totals	<u>\$ 6,031,338</u>	<u>\$ 641,112</u>	<u>\$ 6,672,450</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>

Year Ending December 31,	JOBS Ohio		
	Principal	Interest	Total
2017	\$ 132,992	\$ 65,893	\$ 198,885
2018	203,266	95,485	298,751
2019	207,886	91,378	299,264
2020	212,614	87,176	299,790
2021	217,444	82,879	300,323
2022 - 2026	1,163,663	346,452	1,510,115
2027 - 2031	1,267,947	328,632	1,596,579
2032 - 2036	1,486,265	132,527	1,618,792
2037	107,923	676	108,599
Totals	<u>\$ 5,000,000</u>	<u>\$ 1,231,098</u>	<u>\$ 6,231,098</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 16 - RISK MANAGEMENT

A. Property and Liability

The City does not have municipal liability insurance. The City is self-insured for the purpose of handling, processing, and paying general municipality liability insurance claims in lieu of purchasing general municipality liability insurance. All claims activity is accounted for in the general fund.

The City is fully insured through premium-based insurance policies for all other types of insurance. In 2016, the City contracted with various insurance companies to provide the following coverages:

<u>Type of Coverage</u>	<u>Coverage</u>
Primary and Excess Airport Liability	\$100,000,000
Excess of Airport Policy	50,000,000
Property	928,776,387
General Liability (North West Railway)	10,000,000
Commercial Liability (Convention Center)	2,000,000
Tenant Liability (Convention Center)	1,000,000
Errors and Omissions (Ambulance Attendants)	3,000,000
Errors and Omissions (Municipal Court)	500,000
Dayton Municipal Clerk of Courts Bonds	27,000
Clerk of Courts Crime Coverage/Bonds	2,000,000
Garagekeepers: Liability	2,000,000
Garagekeepers: Test Driving	1,000,000
General Liability (Zion Cultural Center)	2,000,000
Excess Umbrella Coverage (Zion Cultural Center)	2,000,000
General Liability (Community Service Program for Dayton Municipal Court)	5,000,000
(Community Service Program for Dayton Municipal Court - Additional various coverages)	100,000
Travel (AD&D)	100,000,000
Executive Management Liability Policy	1,000,000
Employment Practices Liability	2,000,000
Public Officials Bond	27,000
Schedule Positions/Bonds	2,500,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 16 - RISK MANAGEMENT - (Continued)

The City’s policy for reporting a claims liability is based on the requirements GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. It is the opinion of the City’s legal counsel that, as of December 31, 2016, there were \$170,891 in outstanding claims pending that are reported as a component of claimants payable in the general fund. Claims activity for 2016 and 2015 are as follows:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2016	\$ 102,070	\$ 68,821	\$ -	\$ 170,891
2015	7,163	229,140	(134,233)	102,070

B. Workers' Compensation

The City has elected to take advantage of the workers' compensation plan being offered by the State of Ohio. This plan, called retrospective rating, allows the City to pay a fraction of the premium it would pay as an experience-rated risk.

Retrospective rating constitutes a step closer to self-insurance. In the retrospective rating plan, the City agrees to assume a portion of the risk in return for a possible reduction in premiums. The greater the percentage of the risk the City assumes, the greater the potential reduction in the premium. If the City's loss experience is better than predicted by the experience-rating system, its premium obligation will be less than what it would have paid under experience rating. If its experience is worse than predicted, its premium obligation will be more than it would have been assessed under experience rating, limited to a maximum premium. The City has assumed the risk for individual claims up to a maximum of \$300,000.

The City has agreed to pay all claims up to a maximum of 200% of what the City would have paid had the City remained an experience-rated risk. Claims exceeding these limits will be paid by the State. Each year, the City pays the State a "minimum premium" for retaining the risk of having to pay claims which exceeds the City's maximum claim limits. After ten years, the City settles up for the reserve on any claims that are still open. The City has established a workers' compensation internal service fund to account for and finance its uninsured risks of loss in this program.

The claims liability of \$3,502,343 reported at December 31, 2016, as estimated by the third party administrator, is based on the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Of the \$3,502,343 claims liability, \$935,528 of the liability is due within one year and is reported as a current liability in the statement of net position for the proprietary funds. The remaining portion is a noncurrent liability of \$2,566,815. The estimate was not affected by non-incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 16 - RISK MANAGEMENT - (Continued)

Changes in the funds' claims liability amount in 2016 and 2015 were as follows:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2016	\$ 4,828,684	\$ 1,129,914	\$ (2,456,255)	\$ 3,502,343
2015	4,977,717	1,951,716	(2,100,749)	4,828,684

C. Health Insurance

On January 1, 2012, the City became self-insured for medical and prescription drug benefits (the "Program"). The Program is administered through a third-party administrator who manages and processes the claims. The City makes required payments to the third-party administrator to reimburse them for the claim payments. The City's stop-loss coverage through the Program is limited to \$200,000 per claim with a stop-loss annual coverage aggregate that is 115% of the expected annual claims amounts in the Program. The city has reported a liability in both the health insurance internal service fund and government-wide financial statements amounting to \$2,426,282 for the claims payable liability.

Changes in the claims payable liability in 2016 and 2015 were as follows:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2016	\$ 2,696,249	\$ 20,039,236	\$ (20,309,203)	\$ 2,426,282
2015	2,541,141	23,608,465	(23,453,357)	2,696,249

NOTE 17 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, compensatory time and sick leave components are derived from negotiated agreements, personnel policies and State laws. Vacation time is accrued at the rate of one credit per month, plus one to ten additional credits per year for all employees except police, who receive up to 12 additional days per year, depending upon the length of service. A credit is generally equal to one complete work shift of eight (8) hours, but maybe worth additional periods for fire personnel. The maximum accrual which can be carried forward into January is thirty credits. Accumulated unused vacation time is paid to employees upon separation from the City.

Compensatory time off in lieu of overtime pay is an option given to uniformed Police and Fire Personnel under union contract. It is given on the basis of time and one-half for actual hours worked. Police officers, sergeants, and lieutenants may use up to 136 hours in any year, and accumulate up to 272 hours in any year. An employee may only carry forward 136 hours in a calendar year. Currently, overtime pay is paid as overtime hours worked by those uniformed employees who have already accumulated the maximum hours allowed.

All uniformed employees of the Fire Department also have the option to choose compensatory time in lieu of overtime pay, and they may accumulate up to one-hundred-twenty hours of compensatory time. Employees who have accumulated the maximum hours are paid overtime as overtime hours are worked.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 17 - OTHER EMPLOYEE BENEFITS - (Continued)

Sick leave is accrued at the rate of one and one-fourth credits per month. The maximum sick leave accrual which can be carried forward into January is 125 credits. Accrued sick leave in excess of 125 credits must be converted to vacation credits in January at the rate of two sick leave days for one vacation day. A credit is generally equal to one complete work shift of eight (8) hours, but may be worth additional periods for fire personnel. Upon retirement, payment may be made for one-half of the total sick leave accumulation, up to a maximum of 140 days.

B. Insurance Benefits

The City is self-insured for medical benefits through Anthem Blue Cross/Blue Shield Health Maintenance insurance plans as described in Note 16.C. Dental insurance is provided to employees through Superior and Ohio AFSCME Care. Group Life and Accidental Death and Dismemberment insurance is provided to employees through Hartford Life and Accident Insurance Company. The City provided life insurance coverage amounts range from \$20,000 to \$300,000 according to employee position and employees may purchase additional supplemental coverage.

C. Deferred Compensation Plans

City employees and elected officials participate in either the International City Managers Association (ICMA) Deferred Compensation Plan, or the Ohio Public Employees Deferred Compensation Plan. These plans are created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until separation from the City, retirement, death or an unforeseeable emergency.

NOTE 18 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 18 - DEFINED BENEFIT PENSION PLANS - (Continued)

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 18 - DEFINED BENEFIT PENSION PLANS - (Continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 18 - DEFINED BENEFIT PENSION PLANS - (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$9,120,191 for 2016. Of this amount, \$835,240 is reported as due to other governments.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 18 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 18 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$9,840,053 for 2016. Of this amount \$759,113 is reported as due to other governments.

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and the Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2015, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015 to December 31, 2015. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 18 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.56024600%	2.24151040%	
Proportion of the net pension liability current measurement date	<u>0.56739400%</u>	<u>2.20264200%</u>	
Change in proportionate share	<u>0.00714800%</u>	<u>-0.03886840%</u>	
Proportion of the net pension asset prior measurement date	0.47560300%		
Proportion of the net pension asset current measurement date	<u>0.93117400%</u>		
Change in proportionate share	<u>0.45557100%</u>		
Proportionate share of the net pension liability	\$ 98,279,795	\$ 141,697,531	\$ 239,977,326
Proportionate share of the net pension asset	248,271	-	248,271
Pension expense	14,361,059	19,005,688	33,366,747

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 18 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 11,224	\$ -	\$ 11,224
Net difference between projected and actual earnings on pension plan investments	28,997,206	23,062,920	52,060,126
Changes in employer's proportionate percentage/ difference between employer contributions	486,473	-	486,473
City contributions subsequent to the measurement date	9,120,191	9,840,053	18,960,244
Total deferred outflows of resources	<u>\$ 38,615,094</u>	<u>\$ 32,902,973</u>	<u>\$ 71,518,067</u>
Deferred inflows of resources			
Differences between expected and actual experience	2,011,506	397,880	2,409,386
Changes in employer's proportionate percentage/ difference between employer contributions	56,430	1,580,459	1,636,889
Total deferred inflows of resources	<u>\$ 2,067,936</u>	<u>\$ 1,978,339</u>	<u>\$ 4,046,275</u>

\$18,960,244 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2017	\$ 6,509,429	\$ 5,659,433	\$ 12,168,862
2018	7,011,603	5,659,433	12,671,036
2019	7,406,388	5,659,433	13,065,821
2020	6,549,509	4,506,940	11,056,449
2021	(12,839)	(336,689)	(349,528)
Thereafter	(37,123)	(63,969)	(101,092)
Total	<u>\$ 27,426,967</u>	<u>\$ 21,084,581</u>	<u>\$ 48,511,548</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 18 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation COLA or ad hoc COLA	4.25 to 10.05 percent including wage inflation Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.80% simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled male mortality rates were used. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in five investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 401 (h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 18 - DEFINED BENEFIT PENSION PLANS - (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	20.70	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 156,583,722	\$ 98,279,795	\$ 49,102,277
Combined Plan	(5,069)	(246,649)	(440,968)
Member-Directed Plan	4,243	(1,622)	(4,243)

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 18 - DEFINED BENEFIT PENSION PLANS - (Continued)

Changes Between Measurement Date and Report Date - In October 2016, the OPERS Board of Trustees adopted certain assumption changes which impacted their annual actuarial valuation prepared as of December 31, 2016. The most significant changes are a reduction in the expected investment return to 7.50% from 8.00%, the expected long-term average wage inflation was reduced to 3.25% from 3.75%, the expected long-term average price inflation was reduced to 2.50% from 3.00% and a change to various demographic assumptions. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation date	January 1, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 and 3.00 percent simple

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five-year period ended December 31, 2011. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2012 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 18 - DEFINED BENEFIT PENSION PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	6.50 %	7.80 %
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation			
Protected Securities *	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	120.00 %		

* levered 2x

** numbers include inflation

OPF's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 18 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 186,880,028	\$ 141,697,531	\$ 103,423,460

NOTE 19 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2016 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$1,592,485, \$1,479,410, and \$1,407,023, respectively; 92.20% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments/pension and postemployment benefits payable on the basic financial statements.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 19 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2016 thru December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 19 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$129,968 and \$104,282 for the year ended December 31, 2016, \$135,078 and \$102,504 for the year ended December 31, 2015, and \$126,316 and \$97,531, for the year ended December 31, 2014. 100% has been contributed for 2015 and 2014. 92.48% has been contributed for police and 92.45% has been contributed for firefighters for 2016. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

NOTE 20 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a modified accrual basis with exceptions. The statement of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The adjustments necessary to convert the results of operations of the general fund for the year ended December 31, 2016, on the GAAP basis to the budget basis are as follows:

	<u>General</u>
Budget basis	\$ (212,487)
Net adjustment for revenues	(741,070)
Net adjustment for expenditures	(3,537,152)
Net adjustment for other sources/uses	2
Adjustment for encumbrances	<u>4,979,890</u>
GAAP basis	<u><u>\$ 489,183</u></u>

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 21 - COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 3,327,420
Debt service	1,200
Capital improvement	18,421,013
Nonmajor governmental	<u>10,786,859</u>
Total	<u>\$ 32,536,492</u>

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 22 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Debt Service Fund	Capital Improvement Fund	Governmental Funds	Governmental Funds
Nonspendable:					
Prepays	\$ 751,710	\$ -	\$ -	\$ 250	\$ 751,960
Materials and supplies inventory	-	-	-	811,898	811,898
Assets held for resale	500,000	-	-	-	500,000
Perpetual care	-	-	-	102,228	102,228
Loans receivable	9,315,175	-	-	-	9,315,175
Unclaimed monies	563,304	-	-	-	563,304
Total nonspendable	11,130,189	-	-	914,376	12,044,565
Restricted:					
Street and highway programs	-	-	-	2,509,159	2,509,159
Special projects	-	-	-	2,971,207	2,971,207
Housing and urban development	-	-	-	5,202,220	5,202,220
Debt service	-	28,459,284	-	-	28,459,284
Capital projects	-	-	17,575,596	-	17,575,596
Other purposes	-	-	-	2,387,933	2,387,933
Permanent fund	-	-	-	80,806	80,806
Total restricted	-	28,459,284	17,575,596	13,151,325	59,186,205
Committed:					
Capital projects	-	-	7,875,468	-	7,875,468
Youth, Education and human services	5,600	-	-	-	5,600
Economic development	1,283	-	-	-	1,283
Leadership and quality of life	827,420	-	-	-	827,420
Corporate responsibility	307,857	-	-	-	307,857
Other purposes	61,393	-	-	-	61,393
Public safety	562,364	-	-	-	562,364
Special assessments	-	416,466	-	-	416,466
Total committed	1,765,917	416,466	7,875,468	-	10,057,851
Assigned:					
Downtown	5,560	-	-	-	5,560
Community development	36,374	-	-	-	36,374
Economic development	8,104	-	-	-	8,104
Leadership and quality of life	270,807	-	-	-	270,807
Corporate responsibility	175,050	-	-	-	175,050
Public safety	144,231	-	-	-	144,231
Special payroll	1,180,167	-	-	-	1,180,167
Termination pay	2,622,796	-	-	-	2,622,796
Unemployment	987,161	-	-	-	987,161
Other purposes	405,252	-	-	-	405,252
Demolition	167,313	-	-	-	167,313
Police professional development	49,544	-	-	-	49,544
HRC Special Projects	30,765	-	-	-	30,765
Sunrise Bomberger Center	165,203	-	-	-	165,203
Water street parking	173,149	-	-	-	173,149
Mediation center	124,068	-	-	-	124,068
Professional development	60,344	-	-	-	60,344
Nationwide settlement	246,789	-	-	-	246,789
Judgments	1,257,375	-	-	-	1,257,375
Development	5,317,624	-	-	-	5,317,624
Real estate development	395,676	-	-	-	395,676
Subsequent year appropriations	12,709,336	-	-	-	12,709,336
Capital projects	-	-	6,301,554	-	6,301,554
Total assigned	26,532,688	-	6,301,554	-	32,834,242
Unassigned	23,499,869	-	-	-	23,499,869
Total fund balances	\$ 62,928,663	\$ 28,875,750	\$ 31,752,618	\$ 14,065,701	\$ 137,622,732

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 23 - CONTINGENCIES

A. Litigation

The City is party to legal proceedings. The City is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the City.

B. Grants

For the period January 1, 2016 to December 31, 2016, the City received federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DAYTON, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST THREE YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>			
City's proportion of the net pension liability	0.567394%	0.560246%	0.560246%
City's proportionate share of the net pension liability	\$ 98,279,795	\$ 67,571,930	\$ 66,045,704
City's covered-employee payroll	\$ 72,324,850	\$ 67,411,033	\$ 66,466,608
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	135.89%	100.24%	99.37%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%
<i>Combined Plan:</i>			
City's proportion of the net pension asset	0.506860%	0.475603%	0.475603%
City's proportionate share of the net pension asset	\$ 246,649	\$ 183,119	\$ 49,906
City's covered-employee payroll	\$ 1,645,667	\$ 1,738,508	\$ 1,438,292
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	14.99%	10.53%	3.47%
Plan fiduciary net position as a percentage of the total pension asset	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>			
City's proportion of the net pension asset	0.424314%	n/a	n/a
City's proportionate share of the net pension asset	\$ 1,622	n/a	n/a
City's covered-employee payroll	\$ 2,984,958	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.05%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.91%	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DAYTON, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST THREE YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	2.20264200%	2.41510400%	2.24151040%
City's proportionate share of the net pension liability	\$ 141,697,531	\$ 116,119,585	\$ 109,168,588
City's covered-employee payroll	\$ 46,805,467	\$ 42,914,752	\$ 43,695,379
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	302.74%	270.58%	249.84%
Plan fiduciary net position as a percentage of the total pension liability	66.77%	72.20%	73.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DAYTON, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 8,635,354	\$ 8,678,982	\$ 8,089,324	\$ 8,640,659
Contributions in relation to the contractually required contribution	<u>(8,635,354)</u>	<u>(8,678,982)</u>	<u>(8,089,324)</u>	<u>(8,640,659)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 71,961,283	\$ 72,324,850	\$ 67,411,033	\$ 66,466,608
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 248,847	\$ 197,480	\$ 208,621	\$ 186,978
Contributions in relation to the contractually required contribution	<u>(248,847)</u>	<u>(197,480)</u>	<u>(208,621)</u>	<u>(186,978)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,073,725	\$ 1,645,667	\$ 1,738,508	\$ 1,438,292
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 235,990	\$ 283,571		
Contributions in relation to the contractually required contribution	<u>(235,990)</u>	<u>(283,571)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>		
City's covered-employee payroll	\$ 2,484,105	\$ 2,984,958		
Contributions as a percentage of covered-employee payroll	9.50%	9.50%		

Note: Information prior to 2010 was unavailable for the combined plan

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 6,878,420	\$ 6,823,221	\$ 6,488,756	\$ 6,536,423	\$ 5,847,515	\$ 6,917,267
<u>(6,878,420)</u>	<u>(6,823,221)</u>	<u>(6,488,756)</u>	<u>(6,536,423)</u>	<u>(5,847,515)</u>	<u>(6,917,267)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 68,784,200	\$ 68,232,210	\$ 72,771,095	\$ 80,448,283	\$ 83,535,929	\$ 82,841,521
10.00%	10.00%	8.92%	8.13%	7.00%	8.35%
\$ 98,164	\$ 105,120	\$ 118,154	\$ -	\$ -	\$ -
<u>(98,164)</u>	<u>(105,120)</u>	<u>(118,154)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,234,767	\$ 1,322,264	\$ 1,219,759	\$ -	\$ -	\$ -
7.95%	7.95%	9.69%			

CITY OF DAYTON, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Police:</i>				
Contractually required contribution	\$ 4,938,796	\$ 4,997,877	\$ 4,599,130	\$ 3,876,616
Contributions in relation to the contractually required contribution	<u>(4,938,796)</u>	<u>(4,997,877)</u>	<u>(4,599,130)</u>	<u>(3,876,616)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 25,993,663	\$ 26,304,616	\$ 24,205,947	\$ 24,406,816
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	19.00%	15.88%
 <i>Fire:</i>				
Contractually required contribution	\$ 4,901,257	\$ 4,817,700	\$ 4,396,569	\$ 3,931,652
Contributions in relation to the contractually required contribution	<u>(4,901,257)</u>	<u>(4,817,700)</u>	<u>(4,396,569)</u>	<u>(3,931,652)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 20,856,413	\$ 20,500,851	\$ 18,708,804	\$ 19,288,563
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	23.50%	20.38%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 3,123,636	\$ 3,108,863	\$ 3,524,787	\$ 3,327,952	\$ 3,547,664	\$ 3,366,500
<u>(3,123,636)</u>	<u>(3,108,863)</u>	<u>(3,524,787)</u>	<u>(3,327,952)</u>	<u>(3,547,664)</u>	<u>(3,366,500)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 24,499,106	\$ 24,383,239	\$ 27,645,388	\$ 26,101,584	\$ 27,824,816	\$ 26,403,922
12.75%	12.75%	12.75%	12.75%	12.75%	12.75%
\$ 3,466,063	\$ 3,403,911	\$ 3,930,474	\$ 3,821,620	\$ 3,953,996	\$ 4,032,190
<u>(3,466,063)</u>	<u>(3,403,911)</u>	<u>(3,930,474)</u>	<u>(3,821,620)</u>	<u>(3,953,996)</u>	<u>(4,032,190)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 20,093,119	\$ 19,732,817	\$ 22,785,357	\$ 22,154,319	\$ 22,921,716	\$ 23,375,014
17.25%	17.25%	17.25%	17.25%	17.25%	17.25%

CITY OF DAYTON, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.



Combining Statements and Schedules


DAYTON

**COMBINING STATEMENTS
AND SCHEDULES**

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**COMBINING STATEMENTS
AND INDIVIDUAL FUND SCHEDULES**

CITY OF DAYTON, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Municipal income taxes	\$ 109,357,000	\$ 109,140,000	\$ 108,752,852	\$ (387,148)
Property and other taxes	6,059,800	5,987,500	5,981,440	(6,060)
State shared taxes	6,878,200	6,798,100	6,737,869	(60,231)
Charges for services	27,115,700	26,764,200	26,844,328	80,128
Licenses and permits	1,693,100	1,700,500	1,557,705	(142,795)
Fines and forfeitures	723,000	706,600	654,721	(51,879)
Intergovernmental	4,426,600	4,438,900	4,447,980	9,080
Special assessments	160,000	200,000	198,278	(1,722)
Investment income	2,128,300	2,165,300	2,564,041	398,741
Other	3,399,400	3,706,600	3,983,781	277,181
Total revenues	161,941,100	161,607,700	161,722,995	115,295
Expenditures:				
General operating:				
General government:				
Clerk of commission	1,144,900	1,184,900	1,146,223	38,677
Civil service board	1,352,200	1,370,200	1,361,020	9,180
Human relations council	768,200	788,900	767,900	21,000
City manager's office	1,336,000	1,225,000	1,214,571	10,429
Department of public affairs	733,100	660,100	686,809	(26,709)
Department of planning & community development	2,612,900	2,532,900	2,498,149	34,751
Clerk of courts	3,474,300	3,474,300	3,319,371	154,929
Municipal court	4,162,700	4,162,700	4,032,386	130,314
Office of economic development	3,058,800	3,144,800	3,146,021	(1,221)
Department of management and budget	991,500	891,500	782,606	108,894
Department of water	86,200	86,200	85,947	253
Department of law	2,577,500	2,617,500	2,508,136	109,364
Department of finance	3,033,800	2,833,800	2,710,511	123,289
Department of human resources	1,106,600	1,011,600	990,128	21,472
Department of central services	14,900,700	13,686,700	13,506,416	180,284
Department of police	48,597,100	48,797,100	48,176,836	620,264
Department of fire	39,165,000	39,080,100	38,180,601	899,499
Department of public works	16,402,900	16,596,500	16,318,545	277,955
Department of recreation and youth services	6,367,500	6,367,500	6,061,913	305,587
Non-departmental	1,860,600	1,835,600	1,272,444	563,156
Special projects	9,476,700	9,577,400	7,814,873	1,762,527
Debt service:				
Principal retirement	-	72,500	72,507	(7)
Interest and fiscal charges	-	4,500	4,416	84
Total expenditures	163,209,200	162,002,300	156,658,329	5,343,971
Excess (deficiency) of revenues over (under) expenditures	(1,268,100)	(394,600)	5,064,666	5,459,266
Other financing uses:				
Transfers (out)	(2,473,600)	(9,326,800)	(5,277,153)	4,049,647
Total other financing (uses)	(2,473,600)	(9,326,800)	(5,277,153)	4,049,647
Net change in fund balances	(3,741,700)	(9,721,400)	(212,487)	9,508,913
Fund balance at beginning of year	57,854,915	57,854,915	57,854,915	-
Prior year encumbrances appropriated	1,407,182	1,407,182	1,407,182	-
Fund balance at end of year	\$ 55,520,397	\$ 49,540,697	\$ 59,049,610	\$ 9,508,913

CITY OF DAYTON, OHIO

COMBINING STATEMENTS - NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. The following are the nonmajor special revenue funds which the City of Dayton operates:

Street

To account for monies for all street and road repairs and for the general upkeep to ensure a safe and smooth transportation for all users of Dayton roadways. Funds are provided by shared tax revenues and registration fees from the State of Ohio and Montgomery County, respectively.

Highway Maintenance

To account for lighting the freeways throughout Dayton. Funds are provided by shared tax revenues and registration fees from the State of Ohio and Montgomery County, respectively.

Other Special Revenue

To account for monies restricted by City Ordinance to finance various special projects undertaken by the City.

HUD Programs

To account for various program funds administered by the Department of Housing and Urban Development. Such monies are appropriated on a project level with specific identification of each project being budgeted. Budget basis financial statements for these funds are not presented in this report because such statements would not be meaningful. The first three programs listed below are entitlement grants. Funds are granted annually using a statutory formula.

The Community Development Block Grant Program (CDBG) was established in 1974 to assist in the development of viable urban communities, to conserve and renew older urban areas, to improve the living environment of low and moderate income families, and to develop opportunities for economic growth.

Emergency Shelter Grant Program (EMRG) was established in 1987 to provide for the creation and operations of emergency shelters for the homeless.

HOME Program was established in 1990 to expand the supply of decent and affordable housing for low income families.

Urban Development Action Grants (UDAG) are granted on a project basis. The City has used these funds for projects such as the renovation of the Arcade and The Landing rental housing downtown.

Miscellaneous Grants

To account for miscellaneous grant projects. These projects include food service for children at child care and recreation centers, additional police patrol in high density traffic areas, juvenile court mediation services, and drug rehabilitation programs. Funding sources include the United States Departments of Justice, Housing and Urban Development, Agriculture, Education, Interior, Transportation, Ohio Departments of Education, Development, Highway Safety, and Natural Resources.

Nonmajor Permanent Fund

Permanent funds are used to account for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support City programs. Included in the permanent fund is the Schantz Waldruhe Park Trust which accounts for interest earned on Dayton Power & Light stock that is used for the improvement, care and maintenance of Waldruhe Park and the Forrest B. Lucas Foundation which accounts for interest earned on a contribution made by Forrest B. Lucas that is to be used for fire department training purposes.

The City reports only one permanent fund to account for the above activity. No combining schedules are required.

CITY OF DAYTON, OHIO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Nonmajor Special Revenue Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 7,161,126	\$ 182,983	\$ 7,344,109
Receivables:			
Accounts	223,013	-	223,013
Special assessments	11,511,033	-	11,511,033
Accrued interest	2,049	117	2,166
Due from other funds	37,131	-	37,131
Due from other governments	5,701,961	-	5,701,961
Loans receivable	6,172,699	-	6,172,699
Materials and supplies inventory	811,898	-	811,898
Prepayments	<u>250</u>	<u>-</u>	<u>250</u>
Total assets	<u>\$ 31,621,160</u>	<u>\$ 183,100</u>	<u>\$ 31,804,260</u>
Liabilities:			
Accounts payable	\$ 441,361	\$ -	\$ 441,361
Contracts payable	1,634,826	-	1,634,826
Accrued wages and benefits payable	226,021	-	226,021
Retainage payable	20,302	-	20,302
Due to other funds	<u>32,094</u>	<u>-</u>	<u>32,094</u>
Total liabilities	<u>2,354,604</u>	<u>-</u>	<u>2,354,604</u>
Deferred inflows of resources:			
Accrued interest not available	1,087	66	1,153
Special assessments revenue not available	11,511,033	-	11,511,033
Miscellaneous revenue not available	211,800	-	211,800
Intergovernmental revenue not available	<u>3,659,969</u>	<u>-</u>	<u>3,659,969</u>
Total deferred inflows of resources	<u>15,383,889</u>	<u>66</u>	<u>15,383,955</u>
Fund Balances:			
Nonspendable	812,148	102,228	914,376
Restricted	<u>13,070,519</u>	<u>80,806</u>	<u>13,151,325</u>
Total fund balances	<u>13,882,667</u>	<u>183,034</u>	<u>14,065,701</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 31,621,160</u>	<u>\$ 183,100</u>	<u>\$ 31,804,260</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Nonmajor Special Revenue Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:			
State shared taxes.	\$ 5,492,892	\$ -	\$ 5,492,892
Charges for services.	884,771	-	884,771
Licenses and permits	23,040	-	23,040
Fines and forfeitures	744,379	-	744,379
Intergovernmental.	13,873,413	-	13,873,413
Special assessments	2,781,314	-	2,781,314
Investment income	8,055	428	8,483
Decrease in FMV of investments.	(3,461)	(185)	(3,646)
Other	2,109,484	-	2,109,484
Total revenues	25,913,887	243	25,914,130
Expenditures:			
Current:			
General government:			
Community development and neighborhoods.	8,941,728	-	8,941,728
Economic development	1,483,690	-	1,483,690
Leadership and quality of life	12,338,898	-	12,338,898
Corporate responsibility.	155,050	-	155,050
Public safety and justice.	2,966,440	-	2,966,440
Total expenditures.	25,885,806	-	25,885,806
Excess of revenues over expenditures.	28,081	243	28,324
Other financing sources:			
Transfers in	143,553	-	143,553
Total other financing sources	143,553	-	143,553
Net change in fund balances	171,634	243	171,877
Fund balances at beginning of year.	13,711,033	182,791	13,893,824
Fund balances at end of year	\$ 13,882,667	\$ 183,034	\$ 14,065,701

CITY OF DAYTON, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2016

	<u>Street</u>	<u>Highway Maintenance</u>	<u>Other Special Revenue</u>
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 1,223,902	\$ 654,391	\$ 3,493,729
Receivables:			
Accounts	10,949	-	173,190
Special assessments	-	-	11,093,293
Accrued interest	-	-	1,464
Due from other funds	-	-	35,856
Due from other governments	2,213,555	202,074	33,031
Loans receivable	-	-	-
Materials and supplies inventory	811,898	-	-
Prepayments	-	-	250
Total assets	<u>\$ 4,260,304</u>	<u>\$ 856,465</u>	<u>\$ 14,830,813</u>
Liabilities:			
Accounts payable	\$ 66,358	\$ 18,016	\$ 154,483
Contracts payable	-	-	443,397
Accrued wages and benefits payable	66,435	3,669	35,018
Retainage payable	-	-	-
Due to other funds	24,531	-	1,800
Total liabilities	<u>157,324</u>	<u>21,685</u>	<u>634,698</u>
Deferred inflows of resources:			
Accrued interest not available	-	-	755
Special assessments revenue not available	-	-	11,093,293
Miscellaneous revenue not available	107,724	-	67,777
Intergovernmental revenue not available	1,374,393	134,586	62,833
Total deferred inflows of resources	<u>1,482,117</u>	<u>134,586</u>	<u>11,224,658</u>
Fund Balances:			
Nonspendable	811,898	-	250
Restricted	1,808,965	700,194	2,971,207
Total fund balances	<u>2,620,863</u>	<u>700,194</u>	<u>2,971,457</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,260,304</u>	<u>\$ 856,465</u>	<u>\$ 14,830,813</u>

HUD Programs	Miscellaneous Grants	Total
\$ 205,205	\$ 1,583,899	\$ 7,161,126
38,874	-	223,013
417,740	-	11,511,033
-	585	2,049
-	1,275	37,131
641,981	2,611,320	5,701,961
6,172,699	-	6,172,699
-	-	811,898
-	-	250
<u>\$ 7,476,499</u>	<u>\$ 4,197,079</u>	<u>\$ 31,621,160</u>
\$ 198,516	\$ 3,988	\$ 441,361
1,036,197	155,232	1,634,826
93,711	27,188	226,021
20,302	-	20,302
3,882	1,881	32,094
<u>1,352,608</u>	<u>188,289</u>	<u>2,354,604</u>
-	332	1,087
417,740	-	11,511,033
36,299	-	211,800
467,632	1,620,525	3,659,969
<u>921,671</u>	<u>1,620,857</u>	<u>15,383,889</u>
-	-	812,148
5,202,220	2,387,933	13,070,519
<u>5,202,220</u>	<u>2,387,933</u>	<u>13,882,667</u>
<u>\$ 7,476,499</u>	<u>\$ 4,197,079</u>	<u>\$ 31,621,160</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Street</u>	<u>Highway Maintenance</u>	<u>Other Special Revenue</u>
Revenues:			
State shared taxes	\$ 5,070,369	\$ 422,523	\$ -
Charges for services	392,261	-	120,369
Licenses and permits	-	-	23,040
Fines and forfeitures	-	-	28,156
Intergovernmental	-	-	45,135
Special assessments	-	-	2,743,159
Investment income	-	-	5,354
Decrease in FMV of investments	-	-	(2,259)
Other	<u>231,897</u>	<u>-</u>	<u>1,322,781</u>
Total revenues	<u>5,694,527</u>	<u>422,523</u>	<u>4,285,735</u>
Expenditures:			
Current:			
General government:			
Community development and neighborhoods	3,276	-	86,215
Economic development	-	-	327,640
Leadership and quality of life	4,387,712	402,589	5,805,786
Corporate responsibility	-	-	-
Public safety and justice	<u>-</u>	<u>-</u>	<u>879,816</u>
Total expenditures	<u>4,390,988</u>	<u>402,589</u>	<u>7,099,457</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,303,539</u>	<u>19,934</u>	<u>(2,813,722)</u>
Other financing sources:			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,303,539	19,934	(2,813,722)
Fund balances			
at beginning of year	<u>1,317,324</u>	<u>680,260</u>	<u>5,785,179</u>
Fund balances at end of year	<u>\$ 2,620,863</u>	<u>\$ 700,194</u>	<u>\$ 2,971,457</u>

HUD Programs	Miscellaneous Grants	Total
\$ -	\$ -	\$ 5,492,892
90,432	281,709	884,771
-	-	23,040
-	716,223	744,379
9,004,225	4,824,053	13,873,413
38,155	-	2,781,314
611	2,090	8,055
(317)	(885)	(3,461)
319,767	235,039	2,109,484
<u>9,452,873</u>	<u>6,058,229</u>	<u>25,913,887</u>
8,771,218	81,019	8,941,728
-	1,156,050	1,483,690
1,462,651	280,160	12,338,898
155,050	-	155,050
-	2,086,624	2,966,440
<u>10,388,919</u>	<u>3,603,853</u>	<u>25,885,806</u>
<u>(936,046)</u>	<u>2,454,376</u>	<u>28,081</u>
-	143,553	143,553
-	143,553	143,553
(936,046)	2,597,929	171,634
6,138,266	(209,996)	13,711,033
<u>\$ 5,202,220</u>	<u>\$ 2,387,933</u>	<u>\$ 13,882,667</u>

CITY OF DAYTON, OHIO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State shared taxes	\$ 4,891,900	\$ 4,991,900	\$ 4,991,568	\$ (332)
Charges for services	396,500	396,500	393,156	(3,344)
Other	146,500	146,500	226,764	80,264
Total revenues.	<u>5,434,900</u>	<u>5,534,900</u>	<u>5,611,488</u>	<u>76,588</u>
Expenditures:				
Department of public works	5,434,900	5,513,100	5,363,521	149,579
Total expenditures.	<u>5,434,900</u>	<u>5,513,100</u>	<u>5,363,521</u>	<u>149,579</u>
Net change in fund balance	-	21,800	247,967	226,167
Fund balance at beginning of year.	973,725	973,725	973,725	-
Prior year encumbrances appropriated.	194,120	194,120	194,120	-
Fund balance at end of year.	<u>\$ 1,167,845</u>	<u>\$ 1,189,645</u>	<u>\$ 1,415,812</u>	<u>\$ 226,167</u>

CITY OF DAYTON, OHIO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 HIGHWAY MAINTENANCE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State shared taxes	\$ 432,000	\$ 432,000	\$ 415,584	\$ (16,416)
Total revenues.	<u>432,000</u>	<u>432,000</u>	<u>415,584</u>	<u>(16,416)</u>
Expenditures:				
Department of public works	432,000	452,000	408,441	43,559
Total expenditures.	<u>432,000</u>	<u>452,000</u>	<u>408,441</u>	<u>43,559</u>
Net change in fund balance	-	(20,000)	7,143	27,143
Fund balance at beginning of year.	694,287	694,287	694,287	-
Prior year encumbrances appropriated.	<u>20,646</u>	<u>20,646</u>	<u>20,646</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 714,933</u>	<u>\$ 694,933</u>	<u>\$ 722,076</u>	<u>\$ 27,143</u>

CITY OF DAYTON, OHIO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 OTHER SPECIAL REVENUE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 242,500	\$ 242,500	\$ 128,493	\$ (114,007)
Fines and forfeitures	15,000	15,000	28,156	13,156
Special assessments	2,377,800	2,377,800	2,743,158	365,358
Other	1,405,500	1,338,500	1,394,664	56,164
Total revenues.	<u>4,040,800</u>	<u>3,973,800</u>	<u>4,294,471</u>	<u>320,671</u>
Expenditures:				
Various departments	4,176,900	4,786,800	4,069,224	717,576
Total expenditures.	<u>4,176,900</u>	<u>4,786,800</u>	<u>4,069,224</u>	<u>717,576</u>
Net change in fund balance.	(136,100)	(813,000)	225,247	1,038,247
Fund balance at beginning of year.	3,256,675	3,256,675	3,256,675	-
Prior year encumbrances appropriated.	<u>50,040</u>	<u>50,040</u>	<u>50,040</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 3,170,615</u>	<u>\$ 2,493,715</u>	<u>\$ 3,531,962</u>	<u>\$ 1,038,247</u>

CITY OF DAYTON, OHIO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MISCELLANEOUS GRANTS FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Fines and forfeitures	\$ 1,809,600	\$ 1,933,200	\$ 716,223	\$ (1,216,977)
Intergovernmental.	10,131,400	10,823,400	4,010,015	(6,813,385)
Charges for Services	711,700	760,400	281,709	(478,691)
Other	559,900	598,200	221,616	(376,584)
Total revenues.	<u>13,212,600</u>	<u>14,115,200</u>	<u>5,229,563</u>	<u>(8,885,637)</u>
Expenditures:				
Other grants				
Other.	13,372,200	13,910,400	9,200,828	4,709,572
Total other	<u>13,372,200</u>	<u>13,910,400</u>	<u>9,200,828</u>	<u>4,709,572</u>
Total expenditures.	<u>13,372,200</u>	<u>13,910,400</u>	<u>9,200,828</u>	<u>4,709,572</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(159,600)</u>	<u>204,800</u>	<u>(3,971,265)</u>	<u>(4,176,065)</u>
Other financing sources:				
Transfers in	143,600	143,600	143,553	(47)
Total other financing sources	<u>143,600</u>	<u>143,600</u>	<u>143,553</u>	<u>(47)</u>
Net change in fund balances	(16,000)	348,400	(3,827,712)	(4,176,112)
Fund balance at beginning of year.	(56,450)	(56,450)	(56,450)	-
Prior year encumbrances appropriated.	5,730,472	5,730,472	5,730,472	-
Fund balance at end of year	<u>\$ 5,658,022</u>	<u>\$ 6,022,422</u>	<u>\$ 1,846,310</u>	<u>\$ (4,176,112)</u>

CITY OF DAYTON, OHIO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 PERMANENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Other	\$ -	\$ 50,000	\$ 408	\$ (49,592)
Total revenues.	-	50,000	408	(49,592)
Expenditures:				
Other	50,000	50,000	-	50,000
Total expenditures.	50,000	50,000	-	50,000
Net change in fund balances	(50,000)	-	408	408
Fund balance at beginning of year.	<u>290,134</u>	<u>290,134</u>	<u>290,134</u>	<u>-</u>
Fund balance at end of year	<u>\$ 240,134</u>	<u>\$ 290,134</u>	<u>\$ 290,542</u>	<u>\$ 408</u>

CITY OF DAYTON, OHIO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 DEBT SERVICE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and other taxes.	\$ 7,003,400	\$ 7,003,400	\$ 6,777,324	\$ (226,076)
Intergovernmental.	2,441,800	2,441,800	2,470,318	28,518
Other	137,500	137,500	1,056,804	919,304
Total revenues.	<u>9,582,700</u>	<u>9,582,700</u>	<u>10,304,446</u>	<u>721,746</u>
Expenditures:				
Department of finance	<u>9,620,000</u>	<u>10,084,100</u>	<u>10,019,988</u>	<u>64,112</u>
Total expenditures.	<u>9,620,000</u>	<u>10,084,100</u>	<u>10,019,988</u>	<u>64,112</u>
Excess of expenditures over revenues	<u>(37,300)</u>	<u>(501,400)</u>	<u>284,458</u>	<u>785,858</u>
Other financing sources:				
Transfers in	<u>513,000</u>	<u>513,000</u>	<u>530,605</u>	<u>17,605</u>
Total other financing sources	<u>513,000</u>	<u>513,000</u>	<u>530,605</u>	<u>17,605</u>
Net change in fund balance	475,700	11,600	815,063	803,463
Fund balance at beginning of year.	13,090,655	13,090,655	13,090,655	-
Prior year encumbrances appropriated.	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>
Fund balance at end of year	<u>\$ 13,567,555</u>	<u>\$ 13,103,455</u>	<u>\$ 13,906,918</u>	<u>\$ 803,463</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENTS - NONMAJOR ENTERPRISE FUNDS

Nonmajor Enterprise Funds

The enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be recovered primarily through user charges, or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The following are the nonmajor enterprise funds which the City of Dayton operates:

Storm Water

To account for the provision of storm sewers to the residents of the City of Dayton. Charges for services are used to maintain the storm sewers throughout the City.

Golf

To account for the operations of the City's six golf courses. Revenue is generated by golf fees charged for the use of the facilities. The six golf courses provide needed green space inside the City with three providing scenic cover to the City's north well field.

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2016

	<u>Storm Water</u>	<u>Golf</u>	<u>Total</u>
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents . . .	\$ 13,589,939	\$ 326,876	\$ 13,916,815
Receivables:			
Accounts	1,574,344	-	1,574,344
Special assessments	648,897	-	648,897
Accrued interest	22,253	-	22,253
Prepayments	2,600	1,569	4,169
Total current assets.	<u>15,838,033</u>	<u>328,445</u>	<u>16,166,478</u>
Noncurrent assets:			
Net pension asset	7,588	2,482	10,070
Capital assets:			
Land and construction in progress.	540,179	594,927	1,135,106
Depreciable capital assets, net	13,970,681	3,691,659	17,662,340
Total capital assets, net.	<u>14,510,860</u>	<u>4,286,586</u>	<u>18,797,446</u>
Total noncurrent assets.	<u>14,518,448</u>	<u>4,289,068</u>	<u>18,807,516</u>
Total assets.	<u>30,356,481</u>	<u>4,617,513</u>	<u>34,973,994</u>
Deferred outflows of resources:			
Pension.	1,180,197	385,995	1,566,192
Total assets and deferred outflows of resources	<u>31,536,678</u>	<u>5,003,508</u>	<u>36,540,186</u>
Liabilities:			
Current liabilities:			
Accounts payable.	47,029	156,636	203,665
Contracts payable.	21,716	5,955	27,671
Retainage payable.	21,625	-	21,625
Accrued wages and benefits payable	85,402	28,320	113,722
Due to other funds	615,045	183	615,228
Due to other governments	-	3,348	3,348
Compensated absences payable - current	166,645	67,481	234,126
Advances from other funds.	-	611,178	611,178
Total current liabilities.	<u>957,462</u>	<u>873,101</u>	<u>1,830,563</u>
Long-term liabilities:			
Compensated absences payable	94,561	38,290	132,851
Net pension liability	3,003,736	982,403	3,986,139
Total long-term liabilities	<u>3,098,297</u>	<u>1,020,693</u>	<u>4,118,990</u>
Total liabilities.	<u>4,055,759</u>	<u>1,893,794</u>	<u>5,949,553</u>
Deferred inflows of resources:			
Pension.	63,203	20,671	83,874
Total liabilities and deferred inflows of resources	<u>4,118,962</u>	<u>1,914,465</u>	<u>6,033,427</u>
Net position:			
Net investment in capital assets	14,467,519	4,280,631	18,748,150
Unrestricted (deficit).	12,950,197	(1,191,588)	11,758,609
Total net position	<u>\$ 27,417,716</u>	<u>\$ 3,089,043</u>	<u>\$ 30,506,759</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Storm Water</u>	<u>Golf</u>	<u>Total</u>
Operating revenues:			
Charges for services.	\$ 7,359,366	\$ 2,780,282	\$ 10,139,648
Total operating revenues.	<u>7,359,366</u>	<u>2,780,282</u>	<u>10,139,648</u>
Operating expenses:			
Personal services	2,404,679	788,556	3,193,235
Fringe benefits.	1,113,690	308,998	1,422,688
Contract services.	1,036,389	613,530	1,649,919
Materials and supplies	134,861	443,333	578,194
Utilities	77,992	118,304	196,296
Depreciation	636,090	245,586	881,676
Other.	356,096	461,624	817,720
Total operating expenses.	<u>5,759,797</u>	<u>2,979,931</u>	<u>8,739,728</u>
Operating income (loss).	<u>1,599,569</u>	<u>(199,649)</u>	<u>1,399,920</u>
Nonoperating revenues (expenses):			
Interest and fiscal charges	(458)	(38,441)	(38,899)
Interest income.	81,499	-	81,499
Decrease in fair market value of investments	(34,845)	-	(34,845)
Total nonoperating revenues (expenses)	<u>46,196</u>	<u>(38,441)</u>	<u>7,755</u>
Income (loss) before transfers and contributions.	1,645,765	(238,090)	1,407,675
transfers			
Transfer in	<u>-</u>	<u>501,000</u>	<u>501,000</u>
Change in net position	1,645,765	262,910	1,908,675
Net position at beginning of year	<u>25,771,951</u>	<u>2,826,133</u>	<u>28,598,084</u>
Net position at end of year	<u>\$ 27,417,716</u>	<u>\$ 3,089,043</u>	<u>\$ 30,506,759</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Storm Water</u>	<u>Golf</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers.	\$ 7,301,402	\$ 2,780,282	\$ 10,081,684
Cash payments for personal services.	(2,379,536)	(782,446)	(3,161,982)
Cash payments for fringe benefits	(966,016)	(286,469)	(1,252,485)
Cash payments for contractual services	(1,153,803)	(613,712)	(1,767,515)
Cash payments for materials and supplies	(137,452)	(307,533)	(444,985)
Cash payments for utilities.	(76,079)	(121,838)	(197,917)
Cash payments for other expenses	(355,432)	(502,849)	(858,281)
Net cash provided by operating activities.	<u>2,233,084</u>	<u>165,435</u>	<u>2,398,519</u>
Cash flows from noncapital financing activities:			
Transfers in.	-	501,000	501,000
Interest paid on interfund loans.	-	(38,441)	(38,441)
Cash used in repayment of interfund loans	-	(243,065)	(243,065)
Net cash provided by noncapital financing activities	<u>-</u>	<u>219,494</u>	<u>219,494</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,148,227)	(206,215)	(1,354,442)
Principal paid on capital leases	(23,418)	-	(23,418)
Interest paid on capital leases.	(458)	-	(458)
Net cash used in capital and related financing activities	<u>(1,172,103)</u>	<u>(206,215)</u>	<u>(1,378,318)</u>
Cash flows from investing activities:			
Interest received.	42,581	-	42,581
Net cash provided by investing activities	<u>42,581</u>	<u>-</u>	<u>42,581</u>
Net increase in cash and cash equivalents.	1,103,562	178,714	1,282,276
Cash and cash equivalents at beginning of year.	<u>12,486,377</u>	<u>148,162</u>	<u>12,634,539</u>
Cash and cash equivalents at end of year	<u>\$ 13,589,939</u>	<u>\$ 326,876</u>	<u>\$ 13,916,815</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss).	\$ 1,599,569	\$ (199,649)	\$ 1,399,920
Adjustments:			
Depreciation	636,090	245,586	881,676
Changes in assets and liabilities:			
(Increase) in accounts receivable.	(33,991)	-	(33,991)
(Increase) in net pension asset	(1,924)	(548)	(2,472)
(Increase) in deferred outflows for pension	(793,755)	(254,022)	(1,047,777)
Decrease in prepayments.	750	50	800
(Increase) in special assessments receivable	(23,973)	-	(23,973)
Increase (decrease) in accounts payable.	(14,692)	95,903	81,211
Increase (decrease) in contracts payable	53,500	(5,543)	47,957
Decrease in retainage payable	(42,870)	-	(42,870)
Increase in accrued wages and benefits.	24,071	6,990	31,061
Increase (decrease) in due to other funds.	(114,116)	4	(114,112)
Increase in net pension liability.	913,571	268,598	1,182,169
Increase in deferred inflows of resources.	21,513	6,434	27,947
Increase in due to other governments	-	445	445
Increase in compensated absences payable	9,341	1,187	10,528
Net cash provided by operating activities.	<u>\$ 2,233,084</u>	<u>\$ 165,435</u>	<u>\$ 2,398,519</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENTS - INTERNAL SERVICE FUNDS

The internal service funds account for the financing of goods or services provided by one department or agency to other departments of the City of Dayton on a cost-reimbursement basis. Accounting for these funds is designed to accumulate all of the costs incurred by the internal service funds in providing goods and services to other departments. However, charges to the other departments are not intended to produce a significant profit in the long run, but to recover the total costs of providing goods or services.

Fleet Management

To account for the maintenance of City vehicles. Revenues are derived from direct charges to other departments for fuel usage and repairs. General maintenance is charged to the other funds on a pro-rated basis.

Fire Fleet Management

To account for the maintenance of City fire vehicles and to charge for maintenance of fire vehicles from other municipalities. A majority of the maintenance will be provided to City fire vehicles. Revenues are derived from direct charges to the fire department within the general fund and from fees charged to other municipalities.

Stores and Reproduction

Stores is used in purchasing and storage of office materials and supplies for the entire organization. The other departments are charged the cost of the materials and supplies plus an average of fifteen percent markup to cover the overhead cost of operating this fund. Reproduction is used to account for the reproducing of written material, and the print, binding and distribution of the City's various publications. All costs are recouped from charges to other departments within the organization on a per-job basis.

Health Insurance

To account for claims and administrative payments to cover the cost of servicing the City's self-insured insurance program for medical and prescription drug benefits.

Workers' Compensation

To account for claims and administrative payments to cover risks due to job-related injuries to City employees. Revenues are derived from pro-rated charges against personnel costs of each department to cover claim payments and costs of administering the fund.

Plumbing Shop

To account for plumbing services to departments within the City.

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CITY OF DAYTON, OHIO

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2016

	<u>Fleet Management</u>	<u>Fire Fleet Management</u>	<u>Stores and Reproduction</u>	<u>Health Insurance</u>
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 938,638	\$ 147,129	\$ 251,554	\$ 6,071,844
Receivables:				
Accrued interest	-	-	-	-
Due from other funds	161,916	43,623	35,452	-
Due from other governments	-	42,121	-	-
Loans receivable	-	-	-	-
Inventory held for resale	190,058	317,489	-	-
Prepayments	-	15,560	-	114,518
Total current assets	<u>1,290,612</u>	<u>565,922</u>	<u>287,006</u>	<u>6,186,362</u>
Noncurrent assets:				
Net pension asset	6,128	1,714	281	281
Capital assets:				
Land	-	75,000	-	-
Depreciable capital assets, net	36,007	634,316	-	-
Total noncurrent assets	<u>42,135</u>	<u>711,030</u>	<u>281</u>	<u>281</u>
Deferred outflows of resources:				
Pension	953,167	266,615	43,637	43,637
Total assets and deferred outflows of resources	<u>2,285,914</u>	<u>1,543,567</u>	<u>330,924</u>	<u>6,230,280</u>
Liabilities:				
Current liabilities:				
Accounts payable	87,742	22,085	67,593	-
Contracts payable	-	-	-	1,838
Accrued wages and benefits payable	54,864	15,745	3,471	7,445
Due to other funds	470	284	-	26
Due to other governments	-	-	-	-
Compensated absences payable - current	107,444	22,340	2,173	10,692
Claims and judgments payable	-	-	-	2,426,282
Total current liabilities	<u>250,520</u>	<u>60,454</u>	<u>73,237</u>	<u>2,446,283</u>
Long-term liabilities:				
Compensated absences payable	60,967	12,676	1,233	6,067
Net pension liability	2,425,918	678,564	111,061	111,061
Claims and judgements payable	-	-	-	-
Total long-term liabilities	<u>2,486,885</u>	<u>691,240</u>	<u>112,294</u>	<u>117,128</u>
Total liabilities	<u>2,737,405</u>	<u>751,694</u>	<u>185,531</u>	<u>2,563,411</u>
Deferred inflows of resources:				
Pension	51,045	14,278	2,337	2,337
Total deferred inflows of resources	<u>51,045</u>	<u>14,278</u>	<u>2,337</u>	<u>2,337</u>
Total liabilities and deferred inflows of resources	<u>2,788,450</u>	<u>765,972</u>	<u>187,868</u>	<u>2,565,748</u>
Net position:				
Net investment in capital assets	36,007	709,316	-	-
Unrestricted	<u>(538,543)</u>	<u>68,279</u>	<u>143,056</u>	<u>3,664,532</u>
Total net position	<u>\$ (502,536)</u>	<u>\$ 777,595</u>	<u>\$ 143,056</u>	<u>\$ 3,664,532</u>

Workers' Compensation	Plumbing Shop	Total
\$ 18,991,983	\$ 573,490	\$ 26,974,638
30,686	-	30,686
-	-	240,991
-	-	42,121
74,682	-	74,682
-	-	507,547
-	-	130,078
<u>19,097,351</u>	<u>573,490</u>	<u>28,000,743</u>
1,686	877	10,967
-	-	75,000
9,150	74,200	753,673
<u>10,836</u>	<u>75,077</u>	<u>839,640</u>
262,211	136,445	1,705,712
<u>19,370,398</u>	<u>785,012</u>	<u>30,546,095</u>
11,804	1,497	190,721
-	-	1,838
23,347	6,647	111,519
495	230	1,505
73,591	-	73,591
31,384	19,801	193,834
935,528	-	3,361,810
<u>1,076,149</u>	<u>28,175</u>	<u>3,934,818</u>
17,809	11,236	109,988
667,358	347,266	4,341,228
2,566,815	-	2,566,815
<u>3,251,982</u>	<u>358,502</u>	<u>7,018,031</u>
<u>4,328,131</u>	<u>386,677</u>	<u>10,952,849</u>
14,042	7,307	91,346
<u>14,042</u>	<u>7,307</u>	<u>91,346</u>
4,342,173	393,984	11,044,195
9,150	74,200	828,673
<u>15,019,075</u>	<u>316,828</u>	<u>18,673,227</u>
<u>\$ 15,028,225</u>	<u>\$ 391,028</u>	<u>\$ 19,501,900</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Fleet Management	Fire Fleet Management	Stores and Reproduction	Health Insurance
Operating revenues:				
Charges for services	\$ 7,328,529	\$ 1,216,955	\$ 185,992	\$ 21,883,584
Other operating revenues	151,268	560	319,245	-
Total operating revenues.	7,479,797	1,217,515	505,237	21,883,584
Operating expenses:				
Personal services	2,024,188	555,723	54,141	272,623
Fringe benefits.	870,472	264,081	20,589	26,363
Contract services.	556,967	108,669	249,297	1,439,051
Materials and supplies	5,355	31,155	5,836	13,813
Cost of sales	4,073,515	286,138	36,169	-
Utilities	-	22,904	-	-
Claims expense	-	-	-	20,039,236
Depreciation	17,080	25,947	6,003	-
Other.	26,400	3,134	32,760	149,680
Total operating expenses.	7,573,977	1,297,751	404,795	21,940,766
Operating income (loss)	(94,180)	(80,236)	100,442	(57,182)
Nonoperating revenues:				
Interest income.	-	-	-	-
(Decrease) in fair market value of investments.	-	-	-	-
Total nonoperating revenues.	-	-	-	-
Income (loss) before transfers.	(94,180)	(80,236)	100,442	(57,182)
Transfers out	-	(112,894)	-	-
Change in net position.	(94,180)	(193,130)	100,442	(57,182)
Net position at beginning of year.	(408,356)	970,725	42,614	3,721,714
Net position at end of year	\$ (502,536)	\$ 777,595	\$ 143,056	\$ 3,664,532

Workers' Compensation	Plumbing Shop	Total
\$ 4,958,407	\$ 643,041	\$ 36,216,508
4,416	-	475,489
<u>4,962,823</u>	<u>643,041</u>	<u>36,691,997</u>
450,978	285,536	3,643,189
291,335	160,176	1,633,016
1,593	7,064	2,362,641
87,709	212,062	355,930
-	-	4,395,822
-	-	22,904
446,124	-	20,485,360
9,159	10,084	68,273
36,580	-	248,554
<u>1,323,478</u>	<u>674,922</u>	<u>33,215,689</u>
<u>3,639,345</u>	<u>(31,881)</u>	<u>3,476,308</u>
112,490	-	112,490
(48,080)	-	(48,080)
<u>64,410</u>	<u>-</u>	<u>64,410</u>
3,703,755	(31,881)	3,540,718
-	-	(112,894)
3,703,755	(31,881)	3,427,824
<u>11,324,470</u>	<u>422,909</u>	<u>16,074,076</u>
<u>\$ 15,028,225</u>	<u>\$ 391,028</u>	<u>\$ 19,501,900</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Fleet Management</u>	<u>Fire Fleet Management</u>	<u>Stores and Reproduction</u>	<u>Health Insurance</u>
Cash flows from operating activities:				
Cash received from interfund services provided . . .	\$ 7,466,027	\$ 1,179,959	\$ 185,486	\$ 21,883,584
Cash received from other operations	151,268	560	319,245	-
Cash payments for personal services	(1,916,380)	(540,704)	(87,951)	(270,650)
Cash payments for fringe benefits.	(776,437)	(217,649)	(40,240)	(58,699)
Cash payments for contractual services	(548,873)	(102,753)	(230,747)	(1,400,493)
Cash payments for materials and supplies	(5,355)	(28,768)	(3,043)	(13,813)
Cash payments for cost of goods sold	(4,052,285)	(301,479)	(36,169)	-
Cash payments for utilities.	-	(20,623)	-	-
Cash payments for claims.	-	-	-	(20,309,203)
Cash payments for other expenses	(27,610)	(3,002)	(31,759)	(161,484)
Net cash provided by operating activities.	<u>290,355</u>	<u>(34,459)</u>	<u>74,822</u>	<u>(330,758)</u>
Cash flows from noncapital financing activities:				
Cash used in transfers out	-	(112,894)	-	-
Cash received from interfund loans.	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>(112,894)</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(8,400)	-	-	-
Net cash used in capital and related financing activities	<u>(8,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest received and fair market value adjustment	-	-	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents.	281,955	(147,353)	74,822	(330,758)
Cash and cash equivalents at beginning of year.	<u>656,683</u>	<u>294,482</u>	<u>176,732</u>	<u>6,402,602</u>
Cash and cash equivalents at end of year	<u>\$ 938,638</u>	<u>\$ 147,129</u>	<u>\$ 251,554</u>	<u>\$ 6,071,844</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (94,180)	\$ (80,236)	\$ 100,442	\$ (57,182)
Adjustments:				
Depreciation	17,080	25,947	6,003	-
Changes in assets and liabilities:				
(Increase) in net pension asset	(1,456)	(477)	(1)	51
(Increase) deferred outflows for pension	(634,425)	(182,246)	(24,523)	(20,955)
Decrease in due from other funds.	5,743	(28,850)	(506)	184
(Increase) decrease in due from other governments	131,511	(8,146)	-	-
Decrease (increase) in prepayments	-	(548)	-	38,558
Increase in inventory held for resale.	(49,218)	(15,341)	-	-
Increase (decrease) in accounts payable	77,350	11,132	22,344	(11,778)
Decrease in contracts payable	-	-	-	(236)
Increase (decrease) in accrued wages and benefits.	15,322	2,248	(1,891)	1,418
Increase (decrease) in due to other funds	226	132	-	26
Increase (decrease) in net pension liability	701,921	222,237	7,675	(11,623)
Increase (decrease) in due to other governments.	-	-	-	-
Increase in deferred inflows - pension.	16,659	5,176	275	(110)
Increase (decrease) in compensated absences payable. . .	103,822	14,513	(34,996)	856
Increase (decrease) in claims payable.	-	-	-	(269,967)
Net cash provided by operating activities	<u>\$ 290,355</u>	<u>\$ (34,459)</u>	<u>\$ 74,822</u>	<u>\$ (330,758)</u>

Workers' Compensation	Plumbing Shop	Total
\$ 4,958,407	\$ 643,041	\$ 36,316,504
4,416	-	475,489
(532,805)	(274,382)	(3,622,872)
(189,200)	(109,879)	(1,392,104)
-	(7,346)	(2,290,212)
(86,548)	(216,015)	(353,542)
-	-	(4,389,933)
-	-	(20,623)
(2,456,255)	-	(22,765,458)
(36,725)	-	(260,580)
<u>1,661,290</u>	<u>35,419</u>	<u>1,696,669</u>
-	-	(112,894)
<u>72,507</u>	<u>-</u>	<u>72,507</u>
<u>72,507</u>	<u>-</u>	<u>(40,387)</u>
<u>-</u>	<u>-</u>	<u>(8,400)</u>
<u>-</u>	<u>-</u>	<u>(8,400)</u>
<u>58,687</u>	<u>-</u>	<u>58,687</u>
<u>58,687</u>	<u>-</u>	<u>58,687</u>
1,792,484	35,419	1,706,569
17,199,499	538,071	25,268,069
<u>\$ 18,991,983</u>	<u>\$ 573,490</u>	<u>\$ 26,974,638</u>
\$ 3,639,345	\$ (31,881)	\$ 3,476,308
9,159	10,084	68,273
(677)	(328)	(2,888)
(193,367)	(99,009)	(1,154,525)
-	-	(23,429)
-	-	123,365
-	-	38,010
-	-	(64,559)
3,727	(3,899)	98,876
(972)	-	(1,208)
394	2,777	20,268
(145)	(336)	(97)
294,997	144,785	1,359,992
(683,790)	-	(683,790)
6,615	3,268	31,883
(87,654)	9,958	6,499
<u>(1,326,342)</u>	<u>-</u>	<u>(1,596,309)</u>
<u>\$ 1,661,290</u>	<u>\$ 35,419</u>	<u>\$ 1,696,669</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENTS - FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and/or funds. The following are the City's fiduciary fund types:

Agency Funds

Agency funds are custodial in nature, and thus, do not recognize revenues or expenditures, only changes in assets and liabilities. These funds are used to record the collection and payment of employee payroll, withholdings, medical and life insurance premiums, refundable deposits, PERS, Police and Fire Pension funds, taxes collected for other governments, conduit debt and municipal court.

- | | |
|------------------------------------|-------------------------------------|
| Guaranty | Payroll Withholding |
| Performance Bond | Special Improvement District |
| Developer Construction Payments | GMR Trading Project |
| Deposit of Taxes/Courthouse Square | Miami Township-Dayton JEDD |
| Dependent Care | Butler Township-Dayton JEDD |
| Fire Proceeds | Engery Special Improvement District |
| Urban Renewal Comp Dep | Municipal Courts |
| Building Permit Surcharge | Executive Severance |

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/16</u>
Guaranty				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 49,649	\$ -	\$ -	\$ 49,649
Total assets.	<u>\$ 49,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,649</u>
Liabilities:				
Intergovernmental payable.	\$ 49,649	\$ -	\$ -	\$ 49,649
Total liabilities.	<u>\$ 49,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,649</u>
Performance Bond				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 14,119	\$ -	\$ -	\$ 14,119
Total assets.	<u>\$ 14,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,119</u>
Liabilities:				
Withholdings and deposits.	\$ 14,119	\$ -	\$ -	\$ 14,119
Total liabilities.	<u>\$ 14,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,119</u>
Developer Construction Payments				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 3,000	\$ -	\$ -	\$ 3,000
Total assets.	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,000</u>
Liabilities:				
Due to others.	\$ 3,000	\$ -	\$ -	\$ 3,000
Total liabilities.	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,000</u>
Deposit of Taxes/Courthouse Square				
Assets:				
Accounts receivable.	\$ 173,895	\$ 90,671	\$ 173,895	\$ 90,671
Total assets.	<u>\$ 173,895</u>	<u>\$ 90,671</u>	<u>\$ 173,895</u>	<u>\$ 90,671</u>
Liabilities:				
Intergovernmental payable.	\$ 83,224	\$ -	\$ 83,224	\$ -
Due to others.	90,671	90,671	90,671	90,671
Total liabilities.	<u>\$ 173,895</u>	<u>\$ 90,671</u>	<u>\$ 173,895</u>	<u>\$ 90,671</u>
Dependent Care				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 2,228	\$ -	\$ -	\$ 2,228
Total assets.	<u>\$ 2,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,228</u>
Liabilities:				
Intergovernmental payable.	\$ 2,228	\$ -	\$ -	\$ 2,228
Total liabilities.	<u>\$ 2,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,228</u>

- - Continued

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Balance 12/31/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/16</u>
Fire Proceeds				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 1,026,713	\$ 52,252	\$ -	\$ 1,078,965
Total assets.	<u>\$ 1,026,713</u>	<u>\$ 52,252</u>	<u>\$ -</u>	<u>\$ 1,078,965</u>
Liabilities:				
Intergovernmental payable.	\$ 1,026,713	\$ 52,252	\$ -	\$ 1,078,965
Total liabilities.	<u>\$ 1,026,713</u>	<u>\$ 52,252</u>	<u>\$ -</u>	<u>\$ 1,078,965</u>
Urban Renewal Comp Dep				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 53,520	\$ -	\$ -	\$ 53,520
Total assets.	<u>\$ 53,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,520</u>
Liabilities:				
Withholdings and deposits.	\$ 53,520	\$ -	\$ -	\$ 53,520
Total liabilities.	<u>\$ 53,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,520</u>
Building Permit Surcharge				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 21,331	\$ 96,811	\$ 111,299	\$ 6,843
Total assets.	<u>\$ 21,331</u>	<u>\$ 96,811</u>	<u>\$ 111,299</u>	<u>\$ 6,843</u>
Liabilities:				
Accounts payable	\$ 6,801	\$ 96,811	\$ 96,769	\$ 6,843
Due to others.	14,530	-	14,530	-
Total liabilities.	<u>\$ 21,331</u>	<u>\$ 96,811</u>	<u>\$ 111,299</u>	<u>\$ 6,843</u>
Payroll Withholding				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 2,368,149	\$ 2,485,231	\$ 2,368,149	\$ 2,485,231
Receivables:				
Intergovernmental.	90,671	90,671	90,671	90,671
Total assets.	<u>\$ 2,458,820</u>	<u>\$ 2,575,902</u>	<u>\$ 2,458,820</u>	<u>\$ 2,575,902</u>
Liabilities:				
Due to others.	\$ 190,916	\$ 199,088	\$ 190,916	\$ 199,088
Withholdings and deposits.	2,267,904	2,376,814	2,267,904	2,376,814
Total liabilities.	<u>\$ 2,458,820</u>	<u>\$ 2,575,902</u>	<u>\$ 2,458,820</u>	<u>\$ 2,575,902</u>
Special Improvement District				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 123,546	\$ -	\$ -	\$ 123,546
Receivables:				
Special assessments.	7,421,550	5,937,240	7,421,550	5,937,240
Total assets.	<u>\$ 7,545,096</u>	<u>\$ 5,937,240</u>	<u>\$ 7,421,550</u>	<u>\$ 6,060,786</u>
Liabilities:				
Due to others.	\$ 7,545,096	\$ 6,060,786	\$ 7,545,096	\$ 6,060,786
Total liabilities.	<u>\$ 7,545,096</u>	<u>\$ 6,060,786</u>	<u>\$ 7,545,096</u>	<u>\$ 6,060,786</u>

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CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/16</u>
GMR Trading Project				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 32,499	\$ -	\$ -	\$ 32,499
Total assets.	<u>\$ 32,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,499</u>
Liabilities:				
Intergovernmental payable.	\$ 32,499	\$ -	\$ -	\$ 32,499
Total liabilities.	<u>\$ 32,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,499</u>
Miami Township-Dayton JEDD				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 298,585	\$ 114,826	\$ 1,399	\$ 412,012
Total assets.	<u>\$ 298,585</u>	<u>\$ 114,826</u>	<u>\$ 1,399</u>	<u>\$ 412,012</u>
Liabilities:				
Intergovernmental payable.	\$ 298,585	\$ 114,826	\$ 1,399	\$ 412,012
Total liabilities.	<u>\$ 298,585</u>	<u>\$ 114,826</u>	<u>\$ 1,399</u>	<u>\$ 412,012</u>
Butler Township-Dayton JEDD				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 39,561	\$ 13,065	\$ 3,334	\$ 49,292
Total assets.	<u>\$ 39,561</u>	<u>\$ 13,065</u>	<u>\$ 3,334</u>	<u>\$ 49,292</u>
Liabilities:				
Intergovernmental payable.	\$ 39,561	\$ 13,065	\$ 3,334	\$ 49,292
Total liabilities.	<u>\$ 39,561</u>	<u>\$ 13,065</u>	<u>\$ 3,334</u>	<u>\$ 49,292</u>
Engery Special Improvement District				
Assets:				
Equity in pooled cash and cash equivalents.	\$ -	\$ 175,400	\$ -	\$ 175,400
Total assets.	<u>\$ -</u>	<u>\$ 175,400</u>	<u>\$ -</u>	<u>\$ 175,400</u>
Liabilities:				
Due to others.	\$ -	\$ 175,400	\$ -	\$ 175,400
Total liabilities.	<u>\$ -</u>	<u>\$ 175,400</u>	<u>\$ -</u>	<u>\$ 175,400</u>

- - Continued

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/16</u>
Police Property Room				
Assets:				
Cash and cash equivalents with fiscal agent	\$ -	\$ 1,845,489	\$ -	\$ 1,845,489
Total assets.	<u>\$ -</u>	<u>\$ 1,845,489</u>	<u>\$ -</u>	<u>\$ 1,845,489</u>
Liabilities:				
Due to others.	\$ -	\$ 1,845,489	\$ -	\$ 1,845,489
Total liabilities.	<u>\$ -</u>	<u>\$ 1,845,489</u>	<u>\$ -</u>	<u>\$ 1,845,489</u>
Municipal Courts				
Assets:				
Cash and cash equivalents with fiscal agent	\$ 1,039,235	\$ 1,054,764	\$ 1,039,235	\$ 1,054,764
Total assets.	<u>\$ 1,039,235</u>	<u>\$ 1,054,764</u>	<u>\$ 1,039,235</u>	<u>\$ 1,054,764</u>
Liabilities:				
Intergovernmental payable.	\$ 289,113	\$ 213,357	\$ 289,113	\$ 213,357
Due to others.	750,122	841,407	750,122	841,407
Total liabilities.	<u>\$ 1,039,235</u>	<u>\$ 1,054,764</u>	<u>\$ 1,039,235</u>	<u>\$ 1,054,764</u>
Executive Severance				
Assets:				
Investments with fiscal agent	\$ 868,952	\$ 932,036	\$ 868,952	\$ 932,036
Total assets.	<u>\$ 868,952</u>	<u>\$ 932,036</u>	<u>\$ 868,952</u>	<u>\$ 932,036</u>
Liabilities:				
Withholdings and deposits.	\$ 868,952	\$ 932,036	\$ 868,952	\$ 932,036
Total liabilities.	<u>\$ 868,952</u>	<u>\$ 932,036</u>	<u>\$ 868,952</u>	<u>\$ 932,036</u>
Total Agency Funds				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 4,032,900	\$ 4,783,074	\$ 2,484,181	\$ 6,331,793
Investments with fiscal agent	868,952	932,036	868,952	932,036
Cash and cash equivalents with fiscal agent	1,039,235	1,054,764	1,039,235	1,054,764
Receivables:				
Accounts	173,895	90,671	173,895	90,671
Special assessments.	7,421,550	5,937,240	7,421,550	5,937,240
Intergovernmental.	90,671	90,671	90,671	90,671
Total assets.	<u>\$ 13,627,203</u>	<u>\$ 12,888,456</u>	<u>\$ 12,078,484</u>	<u>\$ 14,437,175</u>
Liabilities:				
Accounts payable	\$ 6,801	\$ 96,811	\$ 96,769	\$ 6,843
Intergovernmental payable.	1,821,572	393,500	377,070	1,838,002
Due to others.	8,594,335	9,212,841	8,591,335	9,215,841
Withholdings and deposits.	3,204,495	3,308,850	3,136,856	3,376,489
Total liabilities.	<u>\$ 13,627,203</u>	<u>\$ 13,012,002</u>	<u>\$ 12,202,030</u>	<u>\$ 14,437,175</u>



Statistical

STATISTICAL

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STATISTICAL SECTION

THE FOLLOWING UNAUDITED STATISTICAL TABLES
REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND
FISCAL CAPACITY OF THE CITY

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CITY OF DAYTON, OHIO

STATISTICAL SECTION

This part of the City of Dayton's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Page

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

S 4 - S 13

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources: the income tax, property tax and special assessments.

S 14 - S 21

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

S 22 - S 32

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

S 33 - S 44

Operating Information

This schedule contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

S 45

Sources: Sources are noted on the individual schedules. The City implemented GASB Statement 63 in 2012; schedules presenting net position began that year.

CITY OF DAYTON, OHIO

NET ASSETS/POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2007 (1)	2008 (1)	2009 (1)	2010
Governmental activities				
Net investment in capital assets	\$ 271,643,144	\$ 282,480,043	\$ 300,486,474	\$ 321,452,359
Restricted	332,238,842	378,805,983	91,563,337	99,691,871
Unrestricted	43,818,871	16,945,325	10,040,732	7,086,581
Total governmental activities net assets/position	\$ 647,700,857	\$ 678,231,351	\$ 402,090,543	\$ 428,230,811
Business-type activities				
Net investment in capital assets	\$ 380,238,011	\$ 389,630,233	\$ 401,965,547	\$ 419,111,268
Restricted	-	-	-	-
Unrestricted	127,953,698	144,931,193	144,144,446	146,350,941
Total business-type activities net assets/position	\$ 508,191,709	\$ 534,561,426	\$ 546,109,993	\$ 565,462,209
Primary government				
Net investment in capital assets	\$ 651,881,155	\$ 672,110,276	\$ 702,452,021	\$ 740,563,627
Restricted	332,238,842	378,805,983	91,563,337	99,691,871
Unrestricted	171,772,569	161,876,518	154,185,178	153,437,522
Total primary government net assets/position	\$ 1,155,892,566	\$ 1,212,792,777	\$ 948,200,536	\$ 993,693,020

(1) Amounts have been restated from prior year's CAFR.

(2) The City implemented GASB Statements No. 63 and 65 in 2012.

Only balances after December 31, 2011 are presented in accordance with GASB Statements No. 63 and 65.

(3) Amounts have been restated to reflect the implementation of GASB Statements No. 68 and 71, which were implemented in 2015.

Source: City of Dayton financial records

	2011 (1) (2)	2012 (1)	2013	2014 (3)	2015	2016
\$	332,540,773	\$ 370,313,674	\$ 375,002,891	\$ 380,538,467	\$ 378,194,645	\$ 386,104,808
	77,231,301	71,969,027	63,085,637	60,235,431	63,381,287	57,403,783
	42,181,978	58,329,858	71,855,215	(29,254,490)	(28,570,356)	(29,568,811)
\$	<u>451,954,052</u>	<u>\$ 500,612,559</u>	<u>\$ 509,943,743</u>	<u>\$ 411,519,408</u>	<u>\$ 413,005,576</u>	<u>\$ 413,939,780</u>
\$	429,634,383	\$ 401,528,337	\$ 407,888,085	\$ 420,343,386	\$ 451,108,014	\$ 462,793,827
	-	-	-	-	-	9,514,757
	145,543,923	190,338,004	191,931,048	161,812,038	149,357,573	145,505,912
\$	<u>575,178,306</u>	<u>\$ 591,866,341</u>	<u>\$ 599,819,133</u>	<u>\$ 582,155,424</u>	<u>\$ 600,465,587</u>	<u>\$ 617,814,496</u>
\$	762,175,156	\$ 771,842,011	\$ 782,890,976	\$ 800,881,853	\$ 829,302,659	\$ 848,898,635
	77,231,301	71,969,027	63,085,637	60,235,431	63,381,287	66,918,540
	187,725,901	248,667,862	263,786,263	132,557,548	120,787,217	115,937,101
\$	<u>1,027,132,358</u>	<u>\$ 1,092,478,900</u>	<u>\$ 1,109,762,876</u>	<u>\$ 993,674,832</u>	<u>\$ 1,013,471,163</u>	<u>\$ 1,031,754,276</u>

CITY OF DAYTON, OHIO

CHANGES IN NET ASSETS/POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2007	2008	2009	2010
Expenses				
Governmental activities:				
Downtown	\$ 5,666,737	\$ 5,570,112	\$ 5,182,850	\$ 5,159,078
Youth, education and human services	2,408,097	2,583,667	2,264,862	2,514,310
Community development and neighbors	21,459,480	21,460,067	21,342,171	26,843,290
Economic development	15,999,955	9,810,580	14,263,940	8,432,763
Leadership and quality of life	43,224,368	48,563,961	47,091,889	41,299,206
Corporate responsibility	17,892,823	17,442,665	17,707,683	16,832,625
Public safety and justice	101,277,697	101,533,014	95,706,450	96,284,218
Other	1,378,197	683,122	-	-
Bond issuance costs	-	-	-	-
Interest and fiscal charges	2,904,913	4,849,682	3,620,502	3,978,196
Total governmental activities expenses	212,212,267	212,496,870	207,180,347	201,343,686
Business type activities:				
Dayton International Airport	41,813,989	31,958,820	40,310,513	30,688,222
Water	45,401,676	45,811,605	45,672,640	46,619,869
Sewer	30,889,719	30,855,192	31,994,865	30,931,209
Golf	3,322,911	3,196,937	3,281,384	3,026,601
Storm Water	5,030,425	5,090,241	5,401,928	6,389,207
Total business-type activities expenses	126,458,720	116,912,795	126,661,330	117,655,108
Total primary government expenses	\$ 338,670,987	\$ 329,409,665	\$ 333,841,677	\$ 318,998,794
Program Revenues				
Governmental activities:				
Charges for services:				
Downtown	\$ 704,984	\$ 570,059	\$ 588,229	\$ 629,749
Youth, education and human services	19,333	40,322	7,618	7,092
Community development and neighbors	3,000,683	2,313,335	2,289,894	2,240,217
Economic development	1,328,746	1,161,369	1,438,105	4,317,785
Leadership and quality of life	4,251,275	5,128,446	4,411,912	6,136,336
Corporate responsibility	2,533,128	2,341,620	2,853,032	2,452,413
Public safety and justice	17,363,610	17,328,246	17,398,578	18,243,867
Other	1,129,885	27,277	-	-
Interest and fiscal charges	-	-	-	-
Operating grants and contributions	19,245,962	20,423,979	24,147,823	33,479,834
Capital grants and contributions	15,536,992	13,489,575	25,771,047	17,935,099
Total governmental activities program revenue	65,114,598	62,824,228	78,906,238	85,442,392
Business type activities:				
Charges for services:				
Dayton International Airport	39,311,221	31,067,418	30,655,950	25,673,711
Water	50,944,369	48,944,620	47,743,750	49,318,157
Sewer	31,322,099	30,398,157	30,998,739	32,558,557
Golf	3,353,732	3,291,376	3,250,241	3,180,466
Storm Water	6,663,178	6,688,476	7,083,455	7,213,504
Capital grants and contributions	15,058,562	21,316,626	17,098,233	18,967,012
Total business-type activities program revenue	146,653,161	141,706,673	136,830,368	136,911,407
Total primary government program revenue	\$ 211,767,759	\$ 204,530,901	\$ 215,736,606	\$ 222,353,799

	2011 (1)	2012	2013	2014	2015	2016
\$	2,922,503	\$ 3,894,895	\$ 3,596,856	\$ 3,973,957	\$ 3,796,899	\$ 3,653,125
	2,395,344	1,058,361	2,904,850	3,499,722	550,914	120,375
	32,086,879	31,880,468	27,516,705	22,225,850	23,517,538	20,766,486
	10,105,180	9,492,689	15,682,768	13,940,292	15,401,684	10,273,961
	40,275,561	35,672,811	42,108,488	42,943,946	46,597,492	43,181,443
	15,884,692	15,225,815	16,027,649	14,189,753	15,284,297	16,482,483
	94,294,723	93,120,303	93,221,162	90,511,356	97,757,003	107,505,250
	-	-	-	-	-	-
	-	693,878	-	195,142	-	-
	4,556,429	2,767,292	2,958,434	2,608,301	2,942,225	3,074,675
	<u>202,521,311</u>	<u>193,806,512</u>	<u>204,016,912</u>	<u>194,088,319</u>	<u>205,848,052</u>	<u>205,057,798</u>
	32,572,362	36,571,471	40,954,651	41,476,361	42,627,742	39,640,671
	47,618,625	44,084,645	46,445,617	46,245,372	45,493,204	49,944,784
	32,420,315	29,765,334	31,515,981	29,448,754	28,009,025	30,326,605
	2,922,959	3,123,360	2,956,261	2,957,656	3,026,642	2,991,868
	6,177,790	4,997,022	5,312,757	5,480,442	5,662,740	5,700,888
	<u>121,712,051</u>	<u>118,541,832</u>	<u>127,185,267</u>	<u>125,608,585</u>	<u>124,819,353</u>	<u>128,604,816</u>
\$	<u>324,233,362</u>	<u>312,348,344</u>	<u>331,202,179</u>	<u>319,696,904</u>	<u>330,667,405</u>	<u>333,662,614</u>
\$	672,824	\$ 531,072	\$ 571,365	\$ 572,477	\$ 659,723	\$ 625,740
	8,674	11,032	17,205	7,965	27,903	18,846
	3,106,283	2,547,442	3,456,330	3,017,823	2,675,576	2,394,632
	1,997,277	2,445,796	3,446,864	6,401,968	2,769,150	2,237,230
	5,673,292	5,001,134	6,942,907	13,688,808	5,811,184	7,049,529
	3,118,657	2,518,064	2,667,492	2,850,358	2,834,131	2,738,963
	22,027,599	23,624,400	21,385,906	25,704,452	20,823,804	18,653,411
	-	-	-	-	-	-
	-	-	-	158,829	168,771	-
	35,387,609	34,438,364	24,584,286	25,909,216	21,715,944	15,921,133
	12,849,894	12,626,114	11,761,088	7,184,234	8,771,868	13,275,111
	<u>84,842,109</u>	<u>83,743,418</u>	<u>74,833,443</u>	<u>85,496,130</u>	<u>66,258,054</u>	<u>62,914,595</u>
	23,644,457	24,508,791	24,723,701	26,454,375	24,974,019	26,086,061
	43,529,551	45,700,719	44,291,334	47,702,941	47,377,507	49,912,404
	30,119,740	33,115,458	30,245,346	32,034,019	33,960,790	32,309,554
	2,946,618	3,123,224	2,997,480	2,874,737	2,923,295	2,780,282
	5,264,927	7,383,856	7,345,250	7,330,340	7,432,885	7,359,366
	14,064,510	10,436,869	13,857,011	7,939,351	14,318,883	13,605,971
	<u>119,569,803</u>	<u>124,268,917</u>	<u>123,460,122</u>	<u>124,335,763</u>	<u>130,987,379</u>	<u>132,053,638</u>
\$	<u>204,411,912</u>	<u>208,012,335</u>	<u>198,293,565</u>	<u>209,831,893</u>	<u>197,245,433</u>	<u>194,968,233</u>

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CITY OF DAYTON, OHIO

CHANGES IN NET ASSETS/POSITION
LAST TEN FISCAL YEARS
(CONTINUED)
(ACCRUAL BASIS OF ACCOUNTING)

	2007	2008	2009	2010
Net (Expense)/Revenue				
Governmental activities	\$ (147,097,669)	\$ (149,672,642)	\$ (128,274,109)	\$ (115,901,294)
Business-type activities	20,194,441	24,793,878	10,169,038	19,256,299
Total primary government net expense	<u>\$ (126,903,228)</u>	<u>\$ (124,878,764)</u>	<u>\$ (118,105,071)</u>	<u>\$ (96,644,995)</u>
General Revenues and Other Changes in Net Assets/Position				
Governmental activities:				
Property taxes	\$ 23,444,142	\$ 24,167,118	\$ 19,070,860	\$ 18,798,224
Income taxes	113,785,961	108,868,331	99,817,917	98,399,957
Payments in lieu of taxes	-	-	-	1,426,155
Grants and entitlements	17,600,763	17,912,684	14,827,230	16,327,237
Investment earnings	7,064,009	5,340,622	1,311,141	1,960,831
Miscellaneous	7,547,653	11,889,101	4,673,485	5,123,860
Transfers	(239,196)	344,798	(662,961)	5,298
Total governmental activities general revenues	<u>169,203,332</u>	<u>168,522,654</u>	<u>139,037,672</u>	<u>142,041,562</u>
Business type activities:				
Investment earnings	4,894,727	2,764,220	716,568	101,215
Miscellaneous	-	-	-	-
Gain on sale of capital assets	-	-	-	-
Transfers	239,196	(344,798)	662,961	(5,298)
Total business-type activities	<u>5,133,923</u>	<u>2,419,422</u>	<u>1,379,529</u>	<u>95,917</u>
Total primary government	<u>\$ 174,337,255</u>	<u>\$ 170,942,076</u>	<u>\$ 140,417,201</u>	<u>\$ 142,137,479</u>
Changes in Net Assets/Position				
Governmental activities	\$ 22,105,663	\$ 18,850,012	\$ 10,763,563	\$ 26,140,268
Business-type activities	25,328,364	27,213,300	11,548,567	19,352,216
Total primary government	<u>\$ 47,434,027</u>	<u>\$ 46,063,312</u>	<u>\$ 22,312,130</u>	<u>\$ 45,492,484</u>

(1) The City implemented GASB Statements No. 63 and 65 in 2012.

Only balances after December 31, 2011 are presented in accordance with GASB Statement No. 63.

Source: City of Dayton financial records

2011 (1)	2012	2013	2014	2015	2016
\$ (117,679,202)	\$ (110,063,094)	\$ (129,183,469)	\$ (108,592,189)	\$ (139,589,998)	\$ (142,143,203)
(2,142,248)	5,727,085	(3,725,145)	(1,272,822)	6,168,026	3,448,822
<u>\$ (119,821,450)</u>	<u>\$ (104,336,009)</u>	<u>\$ (132,908,614)</u>	<u>\$ (109,865,011)</u>	<u>\$ (133,421,972)</u>	<u>\$ (138,694,381)</u>
\$ 19,373,301	\$ 10,055,324	\$ 14,355,108	\$ 12,918,102	\$ 12,155,647	\$ 12,530,977
100,129,761	100,336,653	101,967,172	103,721,834	107,633,425	109,275,331
669,323	1,076,054	1,406,710	1,771,683	1,599,086	1,639,517
19,159,472	14,833,540	15,376,160	15,529,135	14,236,917	14,475,022
1,945,150	1,931,883	1,241,997	1,722,766	1,852,285	2,258,330
1,199,153	3,848,415	4,167,506	3,453,599	3,598,806	3,399,230
368,339	354,169	-	(360,000)	-	(501,000)
<u>142,844,499</u>	<u>132,436,038</u>	<u>138,514,653</u>	<u>138,757,119</u>	<u>141,076,166</u>	<u>143,077,407</u>
236,896	557,911	113,372	485,592	535,994	863,088
13,509,995	10,757,208	11,564,565	12,044,998	11,606,143	12,535,999
-	-	-	-	-	-
(368,339)	(354,169)	-	360,000	-	501,000
<u>13,378,552</u>	<u>10,960,950</u>	<u>11,677,937</u>	<u>12,890,590</u>	<u>12,142,137</u>	<u>13,900,087</u>
<u>\$ 156,223,051</u>	<u>\$ 143,396,988</u>	<u>\$ 150,192,590</u>	<u>\$ 151,647,709</u>	<u>\$ 153,218,303</u>	<u>\$ 156,977,494</u>
\$ 25,165,297	\$ 22,372,944	\$ 9,331,184	\$ 30,164,930	\$ 1,486,168	\$ 934,204
11,236,304	16,688,035	7,952,792	11,617,768	18,310,163	17,348,909
<u>\$ 36,401,601</u>	<u>\$ 39,060,979</u>	<u>\$ 17,283,976</u>	<u>\$ 41,782,698</u>	<u>\$ 19,796,331</u>	<u>\$ 18,283,113</u>

CITY OF DAYTON, OHIO

**FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2007 (2)	2008 (2)	2009	2010
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	3,646,545	2,418,755	3,571,816	3,131,124
Unreserved, reported in:				
Designated for future years' expenditure:	8,284,213	10,172,634	6,585,539	5,322,656
Undesignated	30,035,615	31,002,915	25,681,059	26,153,904
Total general fund	\$ 41,966,373	\$ 43,594,304	\$ 35,838,414	\$ 34,607,684
Other Special Revenue				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Reserved	2,664,425	3,449,888	3,397,002	8,141,647
Unreserved (deficit), reported in:				
Special revenue funds	8,307,519	8,226,916	9,163,395	6,104,504
Total other special revenue	\$ 10,971,944	\$ 11,676,804	\$ 12,560,397	\$ 14,246,151
Debt Service Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Reserved	18,676,879	43,092,546	42,188,046	42,541,211
Total debt service fund	\$ 18,676,879	\$ 43,092,546	\$ 42,188,046	\$ 42,541,211
Capital Improvement Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Reserved	30,413,308	27,221,279	26,133,688	28,184,390
Unreserved (deficit)	(12,394,589)	(10,819,429)	(21,142,062)	(18,628,322)
Total capital improvement fund	\$ 18,018,719	\$ 16,401,850	\$ 4,991,626	\$ 9,556,068
Other governmental Funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Reserved	29,372,979	28,917,903	46,929,773	76,695,945
Unreserved (deficit), reported in:				
Designated, special revenue funds	1,146,380	1,116,000	398,848	-
Special revenue funds	(12,982,580)	(14,876,682)	(31,069,843)	(57,406,792)
Permanent fund	79,836	60,413	76,302	70,250
Total governmental funds	\$ 17,616,615	\$ 15,217,634	\$ 16,335,080	\$ 19,359,403
Total Fund Balances, Governmental Funds	\$ 107,250,530	\$ 129,983,138	\$ 111,913,563	\$ 120,310,517

(1) The City implemented GASB Statement No. 54 in 2011.

Only balances after December 31, 2011 are presented in accordance with GASB Statement No. 54.

(2) Amounts have been restated from prior year's CAFR.

Source: City of Dayton financial records

	2011 (1) (2)	2012 (2)	2013	2014	2015	2016
\$	9,695,165	\$ 10,166,112	\$ 10,556,945	\$ 11,113,881	\$ 10,582,684	\$ 11,130,189
	4,543,378	2,952,023	1,877,155	1,985,533	2,551,240	1,765,917
	11,900,572	17,106,981	22,147,568	21,268,158	20,365,988	26,532,688
	29,291,035	31,114,283	26,287,308	27,221,281	28,939,568	23,499,869
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>55,430,150</u>	<u>61,339,399</u>	<u>60,868,976</u>	<u>61,588,853</u>	<u>62,439,480</u>	<u>62,928,663</u>
\$	476		\$ -	\$ 500	\$ 3,163	\$ -
	5,821,124	5,971,337	5,678,456	5,420,505	5,782,016	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>5,821,600</u>	<u>5,971,337</u>	<u>5,678,456</u>	<u>5,421,005</u>	<u>5,785,179</u>	<u>-</u>
\$	553	\$ -	\$ -	\$ -	\$ -	\$ -
	39,378,381	28,369,891	26,962,021	26,915,684	27,686,642	28,459,284
	192,652	331,130	407,021	419,906	408,494	416,466
	-	-	-	-	-	-
\$	<u>39,571,586</u>	<u>28,701,021</u>	<u>27,369,042</u>	<u>27,335,590</u>	<u>28,095,136</u>	<u>28,875,750</u>
\$	-	\$ -	\$ 6,563	\$ -	\$ -	\$ -
	4,758,591	10,424,439	8,427,005	15,704,146	9,434,711	17,575,596
	5,026,521	8,436,236	9,591,625	8,310,682	7,302,188	7,875,468
	11,243,145	6,790,703	8,885,969	8,203,654	10,779,323	6,301,554
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>21,028,257</u>	<u>25,651,378</u>	<u>26,911,162</u>	<u>32,218,482</u>	<u>27,516,222</u>	<u>31,752,618</u>
\$	102,228	\$ 103,727	\$ 102,228	\$ 102,228	\$ 102,228	\$ 914,376
	11,128,174	10,856,667	8,104,755	11,755,537	8,216,413	13,151,325
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	(209,996)	-
	-	-	-	-	-	-
\$	<u>11,230,402</u>	<u>10,960,394</u>	<u>8,206,983</u>	<u>11,857,765</u>	<u>8,108,645</u>	<u>14,065,701</u>
\$	<u>133,081,995</u>	<u>132,623,529</u>	<u>129,034,619</u>	<u>138,421,695</u>	<u>131,944,662</u>	<u>137,622,732</u>

CITY OF DAYTON, OHIO
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2007	2008	2009	2010
Revenues				
Taxes	\$ 157,223,154	\$ 152,514,608	\$ 139,011,038	\$ 136,753,834
Charges for services	24,051,832	23,926,449	25,037,733	26,265,870
Licenses and permits	1,861,236	1,817,153	1,630,319	1,314,956
Fines and forfeits	2,044,271	2,908,861	2,106,189	2,276,856
Intergovernmental	31,643,646	25,707,748	39,699,451	50,996,557
Special assessments	505,670	546,047	422,608	380,767
Payments in lieu of taxes	-	-	-	1,039,654
Investment income	7,393,303	4,286,751	2,927,657	1,926,077
Increase (decrease) in FMV of investments	-	599,485	(1,085,864)	50,814
Other	7,547,653	11,889,101	4,648,485	9,506,045
Total revenues	<u>232,270,765</u>	<u>224,196,203</u>	<u>214,397,616</u>	<u>230,511,430</u>
Expenditures				
Current:				
Downtown	4,651,014	4,604,197	4,143,788	4,117,582
Youth, education and human services	2,420,958	2,581,447	2,280,237	2,512,611
Community development and neighborhoods	21,016,004	20,981,602	22,259,601	26,873,157
Economic development	15,082,881	11,191,284	15,047,900	13,900,769
Leadership and quality life	36,925,472	41,676,303	40,991,411	41,347,850
Corporate responsibility	16,597,674	16,401,770	17,125,159	15,536,916
Public safety and justice	98,432,234	100,009,551	95,240,850	95,698,192
Other	1,377,348	685,888	-	-
Capital outlay	28,529,727	24,852,628	34,908,638	18,226,238
Debt service:				
Principal retirement	5,789,851	6,652,464	8,047,222	8,030,000
Interest and fiscal charges	2,884,154	4,707,848	3,557,790	3,828,281
Bond issuance costs	312,327	598,836	586,476	137,068
Total expenditures	<u>234,019,644</u>	<u>234,943,818</u>	<u>244,189,072</u>	<u>230,208,664</u>
Excess(deficiency) of revenues over expenditures	(1,748,879)	(10,747,615)	(29,791,456)	302,766
Other Financing Sources (Uses)				
Transfers in	13,418,525	9,831,205	11,818,503	12,481,039
Transfers out	(13,757,721)	(9,556,407)	(12,678,413)	(12,488,042)
Bonds issued	19,745,000	32,000,000	34,408,111	5,180,000
Issuance of loans	-	239,750	-	2,860,000
Payment of refunded bond escrow agent	(10,383,734)	-	(22,528,097)	-
Premium (discount) on bond issuance	491,061	(348,901)	311,474	13,884
(Discount) on note issuance	-	-	-	-
Capital lease transactions	-	-	-	-
Total other financing sources (uses)	<u>9,513,131</u>	<u>32,165,647</u>	<u>11,331,578</u>	<u>8,046,881</u>
Net change in fund balance	<u>\$ 7,764,252</u>	<u>\$ 21,418,032</u>	<u>\$ (18,459,878)</u>	<u>\$ 8,349,647</u>
Capital expenditures	\$ 27,702,620	\$ 24,555,847	\$ 39,799,258	\$ 29,626,529
Debt service as a percentage of noncapital expenditures	4.20%	5.40%	5.68%	5.91%

Source: City of Dayton financial records

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 134,006,534	\$ 128,586,427	\$ 131,413,081	\$ 132,423,102	\$ 134,876,542	\$ 134,469,794
26,910,213	27,256,576	26,855,263	27,395,234	28,978,808	28,108,799
1,561,850	1,616,712	1,458,434	1,381,915	1,549,259	1,580,745
2,402,917	5,926,766	4,217,985	3,815,470	2,737,317	1,383,357
55,538,646	45,662,634	38,037,763	31,756,758	27,257,994	34,659,554
333,328	297,589	344,211	754,970	2,778,402	3,016,394
604,596	873,495	1,195,609	1,590,825	1,757,149	1,687,149
1,730,915	1,858,064	1,497,795	1,639,315	1,675,558	2,636,156
186,772	80,325	(240,888)	32,885	(16,440)	(470,837)
4,148,279	6,282,291	9,830,450	5,528,609	5,878,638	5,807,497
<u>227,424,050</u>	<u>218,440,879</u>	<u>214,609,703</u>	<u>206,319,083</u>	<u>207,473,227</u>	<u>212,878,608</u>
3,804,513	3,346,771	3,139,384	3,183,464	3,500,198	3,468,162
2,409,496	2,518,658	2,902,251	708,900	493,757	104,913
32,366,889	31,889,756	28,406,652	22,550,030	23,458,563	21,967,449
10,063,494	9,529,602	15,142,478	13,346,277	14,864,797	9,646,066
30,741,740	28,678,675	32,029,419	32,784,866	36,273,704	36,858,771
14,967,599	13,901,301	15,163,461	15,486,893	14,800,055	15,410,341
93,849,670	94,598,883	95,650,844	95,477,660	94,684,266	98,253,686
-	-	-	-	-	-
15,253,781	16,942,861	14,798,332	16,329,574	15,878,315	20,836,262
9,516,702	9,918,875	8,446,175	7,708,143	7,062,185	8,583,778
4,401,891	2,785,143	3,164,241	2,843,361	3,052,165	2,844,231
-	693,878	-	195,142	-	323,854
<u>217,375,775</u>	<u>214,804,403</u>	<u>218,843,237</u>	<u>210,614,310</u>	<u>214,068,005</u>	<u>218,297,513</u>
10,048,275	3,636,476	(4,233,534)	(4,295,227)	(6,594,778)	(5,418,905)
6,767,335	8,590,551	6,838,592	6,076,041	9,500,959	5,504,550
(6,455,775)	(8,168,518)	(6,750,939)	(6,318,132)	(9,383,214)	(5,892,656)
1,615,000	35,555,000	-	9,240,000	-	12,210,000
-	-	556,971	2,500,000	-	1,099,888
-	(35,364,951)	-	-	-	(2,876,310)
-	5,435,222	-	249,270	-	1,051,503
-	-	-	(60,196)	-	-
-	-	-	1,995,320	-	-
<u>1,926,560</u>	<u>6,047,304</u>	<u>644,624</u>	<u>13,682,303</u>	<u>117,745</u>	<u>11,096,975</u>
<u>\$ 11,974,835</u>	<u>\$ 9,683,780</u>	<u>\$ (3,588,910)</u>	<u>\$ 9,387,076</u>	<u>\$ (6,477,033)</u>	<u>\$ 5,678,070</u>
\$ 18,744,758	\$ 21,668,262	\$ 16,716,779	\$ 19,494,767	\$ 15,725,633	\$ 29,324,228
7.01%	6.58%	5.74%	5.52%	5.10%	6.05%

CITY OF DAYTON, OHIO

**GROSS INCOME TAX REVENUE BY PAYER TYPE
LAST TEN FISCAL YEARS**

Year	Withholding	% of withholding to total	Total Non-withholding	% of non-withholding to total	Total	Individual Accounts	% of individual to total	Business Accounts	% of Business to total	Total
2007	\$ 101,226,600	86.33%	\$ 16,034,631	13.67%	\$ 117,261,231	\$ 5,790,379	4.94%	\$ 10,244,253	8.74%	\$ 117,261,231
2008	96,917,767	85.31%	16,683,194	14.69%	113,600,961	5,041,787	4.44%	11,641,406	10.25%	113,600,961
2009	90,581,920	87.41%	13,048,061	12.59%	103,629,981	4,485,865	4.33%	8,562,196	8.26%	103,629,981
2010	87,502,256	86.64%	13,497,453	13.36%	100,999,709	4,073,345	4.03%	9,424,110	9.33%	100,999,709
2011	86,866,507	84.51%	15,915,982	15.49%	102,782,489	4,732,700	4.60%	11,183,282	10.88%	102,782,489
2012	89,759,346	86.27%	14,286,616	13.73%	104,045,962	4,129,840	3.97%	10,156,776	9.76%	104,045,962
2013	88,682,519	84.47%	16,301,796	15.53%	104,984,315	4,482,437	4.27%	11,819,358	11.26%	104,984,315
2014	89,661,242	84.68%	16,219,013	15.32%	105,880,255	4,323,182	4.08%	11,895,831	11.24%	105,880,255
2015	93,006,624	85.30%	16,028,674	14.70%	109,035,298	4,274,278	3.92%	11,754,396	10.78%	109,035,298
2016	95,785,501	86.31%	15,193,511	13.69%	110,979,012	4,528,649	4.08%	10,664,862	9.61%	110,979,012

**INCOME TAX FUND REVENUE DISTRIBUTION
NET OF REFUNDS
LAST TEN FISCAL YEARS**

Year	Budget Basis			GAAP (Modified Accrual Basis)		
	General Fund	Total	% Increase (Decrease)	General Fund	Total	% Increase (Decrease)
2007	\$ 112,794,901	\$ 112,794,901	-0.86%	\$ 113,156,087	\$ 113,156,087	0.48%
2008	110,449,891	110,449,891	-2.08%	109,008,881	109,008,881	-3.67%
2009	100,430,248	100,430,248	-9.07%	99,831,456	99,831,456	-8.42%
2010	98,205,983	98,205,983	-2.21%	98,824,027	98,824,027	-1.01%
2011	99,668,943	99,668,943	1.49%	100,362,688	100,362,688	1.56%
2012	101,624,151	101,624,151	1.96%	100,450,896	100,450,896	0.09%
2013	101,934,268	101,934,268	2.27%	101,359,488	101,359,488	0.99%
2014	102,649,505	102,649,505	1.01%	103,916,809	103,916,809	3.45%
2015	106,661,923	106,661,923	4.64%	107,375,864	107,375,864	5.94%
2016	117,658,900	117,658,900	10.31%	113,461,023	113,461,023	9.18%

Source: City of Dayton financial records

CITY OF DAYTON, OHIO

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

<u>Fiscal year</u>	<u>Total tax levy</u>	<u>Current tax collections</u>	<u>Percent of levy collected</u>	<u>Delinquent tax collections (1)</u>	<u>Total tax collections</u>	<u>Percent of total tax collections to tax levy</u>	<u>Outstanding delinquent taxes</u>	<u>Percent of outstanding delinquent taxes to tax levy</u>
<u>Montgomery County</u>								
2007	\$ 20,334,804	\$ 19,544,381	96.11%	\$ 1,998,653	\$ 21,543,034	105.94%	\$ 3,390,837	16.68%
2008	19,483,451	17,932,392	92.04%	1,661,231	19,593,623	100.57%	5,911,972	30.34%
2009	18,205,975	17,052,225	93.66%	1,195,497	18,247,722	100.23%	4,700,112	25.82%
2010	17,867,159	16,460,622	92.13%	957,426	17,418,048	97.49%	5,879,954	32.91%
2011	16,976,964	15,321,147	90.25%	890,712	16,211,859	95.49%	6,723,836	39.61%
2012	15,724,338	13,342,279	84.85%	982,606	14,324,885	91.10%	6,590,787	41.91%
2013	15,270,433	13,344,519	87.39%	895,002	14,239,521	93.25%	7,927,702	51.92%
2014	15,459,902	13,432,271	86.88%	1,136,015	14,568,286	94.23%	8,043,185	52.03%
2015	14,207,597	12,559,556	88.40%	1,110,059	13,669,615	96.21%	8,141,799	57.31%
2016	14,190,924	12,631,228	89.01%	1,088,396	13,719,624	96.68%	8,538,215	60.17%

(1) Delinquent tax records are maintained by an external agency, Montgomery County. The agency does not currently track delinquent taxes by levy year and the City is researching other options for capturing this data for future reporting.

Source: County Auditor; Montgomery County, Ohio

CITY OF DAYTON, OHIO

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Tax year	For	Real Property		Personal Property (1)		Public Utilities	
		Assessed value	Estimated actual value	Assessed value	Estimated actual value	Assessed value	Estimated actual value
<u>Montgomery County</u>							
2007	2008	\$ 1,767,313,000	\$ 5,049,465,714	\$ 107,769,573	\$ 1,356,704,408	\$ 73,262,480	\$ 188,151,369
2008	2009	1,732,074,470	4,948,784,200	13,367,820	213,885,120	75,155,200	193,012,218
2009	2010	1,710,322,150	4,886,634,714	2,088,420	20,884,200	74,305,290	190,829,495
2010	2011	1,688,719,230	4,824,912,086	-	-	77,611,120	199,709,660
2011	2012	1,492,173,530	4,091,911,043	-	-	80,260,280	220,093,655
2012	2013	1,441,010,830	4,117,173,800	-	-	86,032,460	221,379,468
2013	2014	1,451,672,070	4,147,634,486	-	-	94,318,140	242,685,716
2014	2015	1,323,254,870	3,780,728,200	-	-	97,514,790	250,914,681
2015	2016	1,318,587,830	3,767,393,799	-	-	100,515,440	258,758,907
2016	2017	1,315,612,520	3,758,892,913	-	-	107,045,760	275,473,588

Source: County Auditor; Montgomery County, Ohio

N/A - Information not available

(1) Tangible personal property tax was phased out beginning in 2007

Assessed value	Total		Percent of total assessed estimated actual value
	Total direct tax rate	Estimated actual value	
\$ 1,948,345,053	\$ 10.00	\$ 6,594,321,491	29.55%
1,820,597,490	10.00	5,355,681,538	33.99%
1,786,715,860	10.00	5,098,348,409	35.04%
1,766,330,350	10.00	5,024,621,746	35.15%
1,572,433,810	10.00	4,312,004,698	36.47%
1,527,043,290	10.00	4,338,553,268	35.20%
1,545,990,210	10.00	4,390,320,202	35.21%
1,420,769,660	10.00	4,031,642,881	35.24%
1,419,103,270	10.00	4,026,152,706	35.25%
1,422,658,280	10.00	4,034,366,501	35.26%

CITY OF DAYTON, OHIO

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATION)
LAST TEN FISCAL YEARS

Direct 10 Mill Limitation (By Ohio Constitution) By November 6, 1945 Charter Amendment

<u>Fiscal Year</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Debt Service Fund</u>	<u>General</u>	<u>Total</u>
<u>Montgomery County</u>					
2007	\$ 0.40	\$ 0.40	\$ 4.60	\$ 5.00	\$ 9.60
2008	0.40	0.40	4.60	5.00	9.60
2009	0.40	0.40	4.60	5.00	9.60
2010	0.40	0.40	4.60	5.00	9.60
2011	0.40	0.40	4.60	5.00	9.60
2012	0.40	0.40	4.80	4.80	9.60
2013	0.40	0.40	5.00	4.60	9.60
2014	0.40	0.40	5.10	4.50	9.60
2015	0.40	0.40	5.10	4.50	9.60
2016	0.40	0.40	5.10	4.50	9.60

(1) The Ohio Constitution places a ten-mill limitation upon the combined property tax levied by the County, the School District, and the City. The City has been permitted to levy only 1.5 mills of that ten-mill limitation. The Constitution permits the City to levy additional millage beyond 1.5 mills upon approval of the electorate. The City Charter also has a ten-mill limitation which prohibits the City from levying a total tax rate for all purposes in excess of ten mills.

Source: County Auditor; Montgomery County, Ohio

<u>Grand Total (1)</u>	<u>Dayton City School District</u>	<u>Montgomery County</u>	<u>Montgomery County Public Library</u>
\$ 10.00	\$ 70.85	\$ 20.25	\$ 1.25
10.00	75.75	20.94	1.25
10.00	75.75	20.94	1.75
10.00	76.52	20.94	1.75
10.00	77.52	20.94	1.75
10.00	79.85	20.94	3.31
10.00	79.85	20.94	3.31
10.00	79.85	21.94	3.31
10.00	81.35	22.94	3.31
10.00	83.35	22.94	3.31

CITY OF DAYTON, OHIO

**PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Fiscal Year 2016			Fiscal Year 2007		
	Assessed Valuation	Rank	Percentage of Total City Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total City Taxable Assessed Value
Dayton Power and Light Company	\$ 87,864,330	1	6.18%	\$ 58,383,250	1	3.00%
Vectren Energy Delivery	17,786,480	2	1.25%	12,461,720	4	0.64%
KND Real Estate 29 LLC	6,551,310	3	0.46%			
GLP Capital LP	6,531,830	4	0.46%			
Dayton Hotel II LLC	5,171,320	5	0.36%			
Miami Valley Hospital	4,463,460	6	0.31%			
Elizabeth Place Holdings LLC	4,006,500	7	0.28%			
DUCRU SPE LLC	3,953,770	8	0.28%			
Cloud Park Apartment	3,620,670	9	0.25%			
Premier Plaza LP	3,567,170	10	0.25%			
Delphi Automotive Systems Corporation				14,200,520	3	0.73%
NCR				16,785,130	2	0.86%
Ohio Bell Telephone Company				10,304,070	7	0.53%
Cargill Inc.				11,905,690	5	0.61%
Behr Dayton Thermal				11,636,410	6	0.60%
Dayton Heart Hospital				7,427,010	9	0.38%
Tital Loan Investments				6,803,520	10	0.35%
Marriott International				7,492,620	8	0.38%
Total	\$ 143,516,840		9.20%	\$ 157,399,940		8.08%

Source: County Auditor; Montgomery, County, Ohio

CITY OF DAYTON, OHIO

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Current Assements Due (1) (3)</u>	<u>Current Assessment Collected (1)</u>	<u>Percent of Current Collections to Current Assessments</u>	<u>Delinquent Assessments Collected</u>	<u>Total Assessments Collected</u>	<u>Percent of Total Assessments Collected to Current Due (2)</u>
2007	\$ 2,339,548	\$ 2,023,233	86.48%	\$ 815,408	\$ 2,838,641	121.33%
2008	3,065,046	2,195,831	71.64%	419,295	2,615,126	85.32%
2009	3,404,912	1,829,865	53.74%	330,272	2,160,137	63.44%
2010	3,599,298	1,799,212	49.99%	260,117	2,059,329	57.21%
2011	4,432,302	2,280,991	51.46%	302,809	2,583,800	58.29%
2012	6,257,674	2,027,236	32.40%	277,857	2,305,093	36.84%
2013	4,727,901	2,010,113	42.52%	537,153	2,547,266	53.88%
2014	4,727,901	1,916,141	40.53%	498,060	2,414,201	51.06%
2015	7,449,675	4,133,966	55.49%	709,211	4,843,177	65.01%
2016	8,225,568	4,262,189	51.82%	947,474	5,209,663	63.33%

(1) Reported on a cash basis and includes collections of delinquent utility bills.

(2) Total collections exceed Current Assessment Due because of high collection of curb, gutter and sidewalk delinquent assessments.

(3) Current Assessments Due increased in 2012 as a result of weed, nuisance and delinquent utility assessments

Note: This table reflects only those special assessments collected through the County Auditor's Office.

Source: County Auditor; Montgomery County, Ohio

CITY OF DAYTON, OHIO

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Governmental Activities								
Fiscal Year	General Obligation Bonds	Revenue Bonds	Special Assessment Bonds	Ohio Department of Development Loan	Capital Lease Obligations	OPWC Loans	SIB Loans	SIB Bonds
2007	\$ 54,900,224	\$ 9,015,000	\$ 555,600	\$ -	\$ 1,995,000	\$ -	\$ -	\$ -
2008	49,441,334	40,500,000	409,600	-	1,494,000	208,176	-	-
2009	56,284,054	39,925,000	299,500	-	-	197,334	-	-
2010	52,818,927	40,650,000	211,800	2,860,000	-	175,161	-	-
2011	46,884,969	38,780,000	136,900	2,860,000	-	152,317	-	-
2012	49,149,087	33,923,806	63,100	2,860,000	-	128,782	-	-
2013	42,465,128	31,886,369	23,200	2,860,000	-	661,507	-	-
2014	42,556,962	29,758,933	-	2,860,000	1,995,320	617,964	2,500,000	3,419,608
2015	37,938,498	27,566,497	-	2,694,829	1,621,171	555,099	2,500,000	3,482,779
2016	44,237,911	25,314,060	-	2,440,804	-	1,116,405	2,568,125	3,410,526

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: City of Dayton financial records

(1) Source: Bureau of Economic Analysis, US Department of Commerce. Personal Income for 2011 and 2012 are not available.

Business-Type Activities

General Obligation Bonds	Revenue Bonds	OWDA Loans	OPWC Loans	Capital Lease Obligations	JOBS Ohio Loan	General Obligation Notes	Total Primary Government	Personal Income (1)	Percentage of Personal Income	Per Capita
\$ 1,874,776	\$ 39,185,000	\$ 15,055,215	\$ 650,000	\$ -	\$ -	\$ 3,285,000	\$ 126,515,815	\$ 28,596,630,000	0.44%	\$ 796
1,653,666	38,095,000	11,774,364	600,000	-	-	1,885,000	146,061,140	29,736,127,000	0.49%	932
12,195,946	36,980,000	11,118,492	550,000	-	-	485,000	158,035,326	29,436,435,000	0.54%	1,025
11,591,073	35,825,000	10,437,177	500,000	-	-	-	155,069,138	30,220,395,000	0.51%	1,094
10,860,031	34,625,000	9,888,914	450,000	-	-	-	144,638,131	N/A	N/A	1,020
41,031,571	33,265,591	9,175,000	400,000	-	-	-	169,996,937	N/A	N/A	1,199
38,888,600	31,953,977	8,433,383	350,000	-	-	-	157,522,164	N/A	N/A	1,099
36,525,000	30,776,093	7,662,986	300,000	648,196	-	-	159,621,062	N/A	N/A	1,113
35,691,545	81,810,745	6,862,691	250,000	526,651	-	-	201,500,505	N/A	N/A	1,433
39,024,368	111,772,064	6,031,338	200,000	-	5,000,000	-	241,115,601	N/A	N/A	1,715

CITY OF DAYTON, OHIO

**COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Assesed Value (2)	\$ 1,948,345,053	\$ 1,820,597,490	\$ 1,786,715,860	\$ 1,766,330,350
Legal debt margin:				
Debt limitation - 10.5% of Assesed Value	204,576,231	191,162,736	187,605,165	185,464,687
Total Voted and Unvoted Debt Outstanding	124,821,234	144,393,875	158,035,326	155,069,138
Less: Exempt Debt				
Airport General Obligation Bonds and Notes	(3,430,000)	(1,885,000)	(11,305,000)	(10,470,000)
Airport Revenue Bonds	(39,007,904)	(37,921,735)	(36,810,567)	(35,659,399)
Water Revenue Bonds	-	-	-	-
Sewer Revenue Bonds	-	-	-	-
Water General Obligation Bonds (3)	-	-	-	-
Sewer General Obligation Bonds (3)	-	-	-	-
Special Assessment Bonds and Notes	(555,600)	(409,600)	(299,500)	(211,800)
Economic Development Bonds	(9,015,000)	(40,500,000)	(39,925,000)	(40,650,000)
Total Exempt Debt	<u>(52,008,504)</u>	<u>(80,716,335)</u>	<u>(88,340,067)</u>	<u>(86,991,199)</u>
Total Debt Applicable to Limitation - Within 10.5% Limitations	72,812,730	63,677,540	69,695,259	68,077,939
Less: Amount Available in Debt Service Fund to pay debt applicable to limitation	<u>(16,499,004)</u>	<u>(15,943,399)</u>	<u>(15,536,249)</u>	<u>(17,092,706)</u>
Net Debt Within 10.5% Limitation	<u>56,313,726</u>	<u>47,734,141</u>	<u>54,159,010</u>	<u>50,985,233</u>
Overall Debt Margin Within 10.5% Limitations	<u>\$ 148,262,505</u>	<u>\$ 143,428,595</u>	<u>\$ 133,446,155</u>	<u>\$ 134,479,454</u>
Unvoted Debt Limitation - 5.5% of Assesed Valuation	\$ 107,158,978	\$ 100,132,862	\$ 98,269,372	\$ 97,148,169
Debt Within 5.5% Limitations	72,812,730	63,677,540	69,695,259	68,077,939
Less Amount Available in Debt Service Fund	(16,499,004)	(15,943,399)	(15,536,249)	(17,092,706)
Net Debt Within 5.5% Limitation	<u>56,313,726</u>	<u>47,734,141</u>	<u>54,159,010</u>	<u>50,985,233</u>
Unvoted Debt Margin Within 5.5% Limitation	<u>\$ 50,845,252</u>	<u>\$ 52,398,721</u>	<u>\$ 44,110,362</u>	<u>\$ 46,162,936</u>

Source: City of Dayton financial records

- (1) Airport, Water and Sewer revenue bonds are shown net of premiums. For 2016, this amount was \$4,256,432.
- (2) Assesed valuations have been revised to agree with the assessed valuation by each tax year as provided by the Montgomery County Auditor.
- (3) Water and Sewer general obligation bonds are exempt debt.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,572,433,810	\$ 1,527,043,290	\$ 1,545,990,210	\$ 1,420,769,660	\$ 1,419,103,270	\$ 1,422,658,280
165,105,550	160,339,545	162,328,972	149,180,814	149,005,843	149,379,119
144,638,131	169,996,937	157,522,164	159,621,062	201,500,505	241,115,601
(10,115,000)	(9,750,000)	(9,375,000)	(8,990,000)	(10,016,545)	(9,404,368)
(34,462,592)	(33,265,591)	(32,090,000)	(30,232,678)	(52,051,403)	(80,822,459)
-	-	-	-	(15,720,663)	(15,133,998)
-	-	-	-	(16,428,679)	(15,815,607)
-	(15,300,000)	(14,520,000)	(13,630,000)	(12,705,000)	(17,640,000)
-	(15,600,000)	(14,805,000)	(13,905,000)	(12,970,000)	(11,980,000)
(136,900)	(63,100)	(23,200)	-	-	-
<u>(38,780,000)</u>	<u>(32,235,000)</u>	<u>(30,305,000)</u>	<u>(28,285,000)</u>	<u>(26,200,000)</u>	<u>(24,055,000)</u>
<u>(83,494,492)</u>	<u>(106,213,691)</u>	<u>(101,118,200)</u>	<u>(95,042,678)</u>	<u>(146,092,290)</u>	<u>(174,851,432)</u>
61,143,639	63,783,246	56,403,964	64,578,384	55,408,215	66,264,169
<u>(14,927,743)</u>	<u>(10,776,956)</u>	<u>(10,184,042)</u>	<u>(10,965,590)</u>	<u>(12,580,136)</u>	<u>(14,255,750)</u>
<u>46,215,896</u>	<u>53,006,290</u>	<u>46,219,922</u>	<u>53,612,794</u>	<u>42,828,079</u>	<u>52,008,419</u>
<u>\$ 118,889,654</u>	<u>\$ 107,333,255</u>	<u>\$ 116,109,050</u>	<u>\$ 95,568,020</u>	<u>\$ 106,177,764</u>	<u>\$ 97,370,700</u>
\$ 86,483,860	\$ 83,987,381	\$ 85,029,462	\$ 78,142,331	\$ 78,050,680	\$ 78,246,205
61,143,639	63,783,246	56,403,964	64,578,384	55,408,215	66,264,169
(14,927,743)	(10,776,956)	(10,184,042)	(10,965,590)	(12,580,136)	(14,255,750)
<u>46,215,896</u>	<u>53,006,290</u>	<u>46,219,922</u>	<u>53,612,794</u>	<u>42,828,079</u>	<u>52,008,419</u>
<u>\$ 40,267,964</u>	<u>\$ 30,981,091</u>	<u>\$ 38,809,540</u>	<u>\$ 24,529,537</u>	<u>\$ 35,222,601</u>	<u>\$ 26,237,786</u>

CITY OF DAYTON, OHIO

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS**

Fiscal Year	Population (3)	Assessed value (2)	Gross general bonded debt (1)	Less: Amounts available in Debt Service Fund (4)	Net general bonded debt (1)	Ratio of net general bonded debt to assessed value	Net general bonded debt per capita
2007	158,873	\$ 1,948,345,053	\$ 56,775,000	\$ 11,950,293	\$ 44,824,707	2.30%	\$ 282
2008	156,771	1,820,597,490	51,095,000	15,943,399	35,151,601	1.93%	224
2009	154,200	1,786,715,860	68,480,000	15,536,249	52,943,751	2.96%	343
2010	141,759	1,766,330,350	64,410,000	17,092,706	47,317,294	2.68%	334
2011	141,759	1,572,433,810	57,745,000	14,927,743	42,817,257	2.72%	302
2012	141,759	1,527,043,290	90,180,658	9,583,585	80,597,073	5.28%	569
2013	143,355	1,545,990,210	81,353,728	10,184,042	71,169,686	4.60%	496
2014	143,355	1,420,769,660	79,081,962	10,965,590	68,116,372	4.79%	475
2015	140,599	1,419,103,270	73,630,043	12,580,136	61,049,907	4.30%	434
2016	140,599	1,422,658,280	83,262,279	14,255,750	69,006,529	4.85%	491

(1) Net general bonded debt is defined as bonded debt supported by taxes less Debt Service Fund fund balance (which does not include assigned for encumbrances, advances or loans receivable).

(2) Source: County Auditor, Montgomery County, Ohio

(3) Source: U.S. Census Bureau and Miami Valley Regional Planning Commission

(4) Debt Service Fund fund balance does not include assigned for encumbrances, advances or loans receivable.

CITY OF DAYTON, OHIO

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Bond issuance costs</u>	<u>Total debt service</u>	<u>Total general governmental expenditures</u>	<u>Ratio of debt service to total general governmental expenditures</u>
2007	\$ 5,789,851	\$ 2,884,154	\$ 312,327	\$ 8,986,332	\$ 234,019,644	3.84%
2008	6,652,464	4,707,848	598,836	11,959,148	234,943,818	5.09%
2009	8,047,222	3,557,790	586,476	12,191,488	244,189,072	4.99%
2010	8,030,000	3,828,281	137,068	11,995,349	230,208,664	5.21%
2011	9,516,702	4,401,891	-	13,918,593	217,375,775	6.40%
2012	9,918,875	2,785,143	693,878	13,397,896	214,804,403	6.24%
2013	8,446,175	3,164,241	-	11,610,416	218,843,237	5.31%
2014	7,708,143	2,843,361	195,142	10,746,646	210,614,310	5.10%
2015	7,062,185	3,052,165	-	10,114,350	214,068,005	4.72%
2016	8,583,778	2,844,231	323,854	11,751,863	218,297,513	5.38%

Source: City of Dayton financial records

CITY OF DAYTON, OHIO

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF DECEMBER 31, 2016**

Debt of the City, authorized by the Council but not by a vote of the electors, is subject to overlapping restrictions with each respective county and school district. Limitations apply to each county total and should not be considered cumulatively. Total debt service charges for one year of all overlapping debt must not exceed ten mills (1%) of the assessed property value. This determination is made by the respective county auditors each time a subdivision proposes to issue unvoted debt. The most recent data prepared by the county auditors for this purpose is as of December 31, 2016.

<u>Political subdivision of State of Ohio</u>	<u>2016 Debt Outstanding</u>	<u>Percentage applicable to Dayton</u>	<u>Amount applicable to Dayton</u>
Direct			
City of Dayton	\$ 79,087,831	100.00%	\$ 79,087,831
Total Direct Debt	<u>79,087,831</u>		<u>79,087,831</u>
Overlapping			
Butler Township	4,565,000	0.08%	3,652
Dayton Metro Library District	164,050,000	19.89%	32,629,545
Dayton City School District	153,235,000	83.90%	128,564,165
Miami Valley Career Center	5,537,994	2.23%	123,497
Vandalia Butler City School District	46,987,069	2.42%	1,137,087
Mad River Local School District	7,610,000	23.48%	1,786,828
Huber Heights City School District	70,055,000	11.44%	8,014,292
Trotwood-Madison City School District	25,710,000	4.19%	1,077,249
Fairborn City School District	20,809,940	3.47%	722,105
Northridge Local School District	17,415,000	32.33%	5,630,270
Total Overlapping Debt	<u>515,975,003</u>		<u>179,688,690</u>
Total Direct and Overlapping Debt	<u>\$ 595,062,834</u>		<u>\$ 258,776,521</u>

Source: County Auditor; Montgomery County, Ohio and Ohio Municipal Advisory Council (OMAC)

CITY OF DAYTON, OHIO

**SEWER DEBT LOAN PLEDGED REVENUE COVERAGE
OHIO WATER DEVELOPMENT AUTHORITY LOAN
LAST TEN FISCAL YEARS**

Year	Net Revenue Available for Debt Service (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2007	\$ 8,480,924	\$ 3,257,274	\$ 882,616	\$ 4,139,890	2.05
2008	7,661,321	3,280,851	675,575	3,956,426	1.94
2009	7,262,150	655,872	463,620	1,119,492	6.49
2010	9,596,696	681,315	438,177	1,119,492	8.57
2011	7,850,586	548,263	406,141	954,404	8.23
2012	10,831,537	713,914	373,672	1,087,586	9.96
2013	8,304,330	741,617	345,967	1,087,584	7.64
2014	9,687,415	770,397	317,188	1,087,585	8.91
2015	11,760,637	800,295	287,291	1,087,586	10.81
2016	8,159,080	831,353	199,704	1,031,057	7.91

(1) Net Revenue Available for Debt Service is computed by adding operating income (loss) for the reporting period to depreciation expense, interest revenue and the fair market value adjustment.

Source: City of Dayton financial records

CITY OF DAYTON, OHIO

WATER ENTERPRISE REVENUE BOND COVERAGE
WATER REVENUE BONDS
LAST TWO FISCAL YEARS

Year	Net Revenue Available for Debt Service (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2015 (2)	\$ 14,491,713	\$ -	\$ -	\$ -	0.00
2016	13,303,988	555,000	519,957	1,074,957	12.38

(1) Net Revenue Available for Debt Service is computed by adding operating income (loss) for the reporting period to depreciation expense, interest revenue and the fair market value adjustment. The Net Revenue Available for Debt Service also includes restricted cash held by a fiscal agent to meet the Rate Covenant as described in Section 4.02 of the Trust Agreement.

(2) The City issued new water bonds in 2015. There were no payments due in 2015.

Source: City of Dayton financial records

CITY OF DAYTON, OHIO

SEWER ENTERPRISE REVENUE BOND COVERAGE
SEWER REVENUE BONDS
LAST TWO FISCAL YEARS

Year	Net Revenue Available for Debt Service (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2015 (2)	\$ 11,760,637	\$ -	\$ -	\$ -	0.00
2016	9,290,302	580,000	543,377	1,123,377	8.27

(1) Net Revenue Available for Debt Service is computed by adding operating income (loss) for the reporting period to depreciation expense, interest revenue and the fair market value adjustment. The Net Revenue Available for Debt Service also includes restricted cash held by a fiscal agent to meet the Rate Covenant as described in Section 4.02 of the Trust Agreement.

(2) The City issued new sewer bonds in 2015. There were no payments due in 2015.

Source: City of Dayton financial records

CITY OF DAYTON, OHIO

DAYTON INTERNATIONAL AIRPORT ENTERPRISE REVENUE BOND COVERAGE
 DAYTON INTERNATIONAL AIRPORT REVENUE REFUNDING BOND SERIES
 LAST TEN FISCAL YEARS

Year	Net Revenue Available for Debt Service (1)	Debt Service Requirements (2)			Coverage
		Principal	Interest	Total	
2007	\$ 16,112,888	\$ 3,750,000	\$ 3,062,695	\$ 6,812,695	2.37
2008	11,735,966	1,090,000	1,894,488	2,984,488	3.93
2009	6,230,427	1,115,000	1,860,958	2,975,958	2.09
2010	10,544,858	1,155,000	1,823,404	2,978,404	3.54
2011	13,284,695	1,200,000	1,780,969	2,980,969	4.46
2012	9,162,019	1,245,000	1,733,902	2,978,902	3.08
2013	6,342,789	1,290,000	1,683,228	2,973,228	2.13
2014	8,233,042	1,350,000	1,628,664	2,978,664	2.76
2015	8,714,245	1,445,000	1,237,784	2,682,784	3.25
2016	16,987,289	1,750,000	1,845,826	3,595,826	4.72

(1) Net Revenue Available for Debt Service is computed by adding operating income (loss) for the reporting period to depreciation expense and interest revenue. Also included in this calculation is the portion of Passenger Facility Charges (PFC) which were used for payment of debt service charges and all Customer Facility Charges (CFC). For 2007 and 2008, no PFC were used for payment of debt service charges. In 2012, bond proceeds of \$2,591,965 were included, as the project was completed and excess proceeds were used for debt service.

(2) Debt service requirements are exclusive of refunding transactions and additional principal payments made to retire bonds.

Source: City of Dayton financial records

CITY OF DAYTON, OHIO

**BUSINESS INDICATORS
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Square Mile Area City of Dayton Year End (1)</u>	<u>Air Passengers (2)</u>	<u>Scheduled Airline Freight (2)</u>
2007	56 (+/-)	2,833,081	10,455
2008	56 (+/-)	2,928,018	9,471
2009	56 (+/-)	2,506,271	10,388
2010	56 (+/-)	2,526,839	8,092
2011	56 (+/-)	2,528,856	8,549
2012	56 (+/-)	2,607,528	10,069
2013	56 (+/-)	2,503,961	7,819
2014	56 (+/-)	2,282,211	9,132
2015	56 (+/-)	2,137,085	8,542
2016	56 (+/-)	2,069,718	8,491

<u>Year</u>	<u>Active Gas Meters (3)</u>	<u>Vehicle Registrations (4)</u>
2007	81,606	123,640
2008	80,900	106,186
2009	80,233	102,921
2010	79,508	122,513
2011	78,753	123,008
2012	78,140	122,573
2013	77,647	116,811
2014	77,369	120,939
2015	76,735	124,365
2016	76,299	126,145

Source: (1) Square Miles for City of Dayton - Division of Planning, City of Dayton
 (2) Dayton International Airport
 (3) Vectren
 (4) Bureau of Motor Vehicles

CITY OF DAYTON, OHIO

**GROWTH IN LAND AREA
SELECTED YEARS**

<u>Year</u>	<u>Square miles at December 31</u>
1955	27
1960	34
1965	36
1970	40
1975	43
1980	54
1985	55
1990	55
1995	56
2000	56
2005	56
2010	56.5
2011	56.5
2012	56.5
2013	56.5
2014	56.5
2015	56.5
2016	56.5

Source: Division of Planning City of Dayton

CITY OF DAYTON, OHIO

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	Fiscal Year 2016			Fiscal Year 2007		
	Employees	Rank	Percentage of Total Dayton Labor Force	Employees	Rank	Percentage of Total Dayton Labor Force
Premier Health Partners (1)	13,500	1	23.24%	5,833	1	8.16%
Kettering Health Network (2)	8,288	2	14.27%	1,881	8	2.63%
Montgomery County	4,389	3	7.55%	5,294	2	7.40%
Sinclair Community College	3,206	4	5.52%	2,303	7	3.22%
University of Dayton	2,535	5	4.36%	2,722	6	3.81%
Dayton Public Schools	2,271	6	3.91%	3,150	3	4.41%
Veterans Administration	2,182	7	3.76%	1,717	10	2.40%
Childrens Medical Hospital	2,082	8	3.58%	2,767	5	3.87%
City of Dayton	1,900	9	3.27%	1,800	9	2.52%
CareSource	1,900	10	3.27%			
Good Samaritan Hospital and Health				2,938	4	4.11%
Total	42,253		72.72%	30,405		42.53%

Source: Dayton Business Journal

- (1) Premier Health Partners includes Miami Valley Hospital and Good Samaritan Hospital
- (2) Kettering Health Network includes Grandview Hospital

CITY OF DAYTON, OHIO

ESTIMATED CIVILIAN LABOR FORCE
AND ANNUAL AVERAGE UNEMPLOYMENT RATES
LAST TEN FISCAL YEARS

Year	Montgomery County		Dayton		Ohio		U.S.
	Labor Force	Unemployment rate	Labor force	Unemployment rate	Labor force	Unemployment rate	Unemployment rate
2007	275,200	6.20%	71,500	7.20%	5,976,500	5.60%	4.60%
2008	270,500	8.40%	70,000	9.40%	5,954,200	7.60%	5.80%
2009	267,234	11.40%	69,188	12.60%	5,970,188	10.20%	9.30%
2010	261,705	10.10%	67,763	11.30%	5,897,559	10.10%	9.60%
2011	257,589	9.40%	61,108	11.00%	5,806,467	8.60%	8.90%
2012	252,888	7.00%	59,558	7.90%	5,747,885	7.20%	8.10%
2013	249,000	8.00%	59,000	9.40%	5,766,000	7.40%	7.40%
2014	250,300	6.00%	59,100	7.10%	5,719,000	5.70%	6.20%
2015	249,600	5.00%	58,800	5.80%	5,700,000	4.90%	5.30%
2016	249,500	4.80%	58,100	5.80%	5,713,000	4.90%	4.90%

Source: State of Ohio Labor Market Information

CITY OF DAYTON, OHIO

ESTIMATED PER CAPITA INCOME AND PERSONAL INCOME
LAST TEN FISCAL YEARS

Year	Dayton (MSA)			Montgomery County		Ohio		United States
	Per capita income	% of national average	Total personal income	Per capita income	% of national average	Per capita income	% of national average	Per capita income
2007	\$ 34,314	88.87%	\$ 5,451,568,122	\$ 34,732	89.95%	\$ 34,874	90.32%	\$ 38,611
2008	34,724	87.35%	5,443,716,204	34,715	87.33%	35,511	89.33%	39,751
2009	34,943	89.28%	5,388,210,600	35,669	91.14%	35,381	90.40%	39,138
2010	35,886	88.42%	5,087,163,474	36,302	89.45%	36,395	89.68%	40,584
2011	37,410	89.79%	5,303,204,190	37,684	90.45%	37,791	90.71%	41,663
2012	39,891	89.56%	5,654,908,269	39,795	89.34%	40,057	91.59%	43,735
2013	40,353	90.59%	5,720,400,927	40,150	90.14%	40,865	91.74%	44,543
2014	41,386	89.72%	5,932,890,030	40,851	88.56%	42,571	92.29%	46,129
2015	42,707	89.59%	6,004,561,493	42,223	88.58%	43,478	91.21%	47,669
2016	N/A	N/A	N/A	N/A	N/A	44,876	90.53%	49,571

N/A - Information not available

CITY OF DAYTON, OHIO

DAYTON METROPOLITAN STATISTICAL AREA EMPLOYMENT (1)
 NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT IN SELECTED INDUSTRIES (2)
 LAST TEN FISCAL YEARS
 (IN THOUSANDS, EXCEPT PERCENT)

Industry	2007	2008	2009	2010	2011
Total	403.3	396.2	372.5	369.4	376.1
Goods-Producing Industries	67.8	60.6	50.6	49.4	51.2
Natural Resources, Mining and Construction	14.7	13.7	11.6	10.9	11.1
Manufacturing	53.1	46.9	39.0	38.5	40.1
Service-Providing Industries	335.5	335.6	321.9	320.0	324.9
Trade, Transportation, and Utilities	68.7	67.0	63.1	61.4	62.4
Information	10.9	12.1	11.0	10.5	9.8
Financial Activities	20.1	18.6	16.8	16.5	17.0
Professional and Business Services	52.2	51.7	45.5	45.6	48.3
Educational and Health Services	65.8	68.9	68.7	69.0	69.9
Leisure and Hospitality	37.3	37.2	36.3	36.2	37.0
Other Services	16.0	15.5	14.9	15.2	15.1
Government	64.5	64.6	65.6	65.6	65.4

(1) Dayton Metropolitan Statistical Area includes Greene, Miami, Montgomery, and Preble Counties.

(2) Nonagricultural employment excludes farm workers, proprietors, the self-employed, unpaid family workers, and domestic workers.

Source: Bureau of Labor Market Information and Ohio Department of Job and Family Services

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Percentage of Total 2016 employment</u>
378.1	376.4	372.0	379.1	384.5	100.00%
52.6	52.7	50.7	52.0	53.6	13.9%
11.4	11.4	11.7	12.0	12.4	3.2%
41.2	41.3	39.0	40.0	41.2	10.7%
325.5	323.7	321.3	327.1	330.9	86.1%
64.6	64.9	64.4	65.8	65.3	17.0%
8.9	8.7	8.5	8.4	8.5	2.2%
17.3	17.3	17.3	17.6	17.9	4.7%
48.7	47.5	48.6	50.1	51.0	13.3%
70.2	69.8	70.2	71.0	72.5	18.9%
37.1	36.9	37.2	37.8	38.8	10.1%
14.7	15.1	14.0	13.8	14.0	3.6%
64.0	63.5	61.1	62.6	62.9	16.4%

CITY OF DAYTON, OHIO

**FULL TIME EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2007 (1)	2008	2009	2010 (2)	2011	2012	2013	2014	2015	2016
Governmental activities:										
Downtown	36	34	32	16	15	14	15	15	15	17
Youth, education and human services	4	1	1	-	1	1	1	1	-	1
Community development and neighbors	131	139	170	132	136	134	130	128	141	126
Economic development	45	43	42	35	33	26	30	32	7	33
Leadership and quality of life	421	368	251	143	184	178	171	303	214	147
Corporate responsibility	187	178	163	137	133	134	137	133	169	136
Public safety and justice	1,134	1,118	1,056	943	863	866	868	864	838	826
Business-type activities:										
Dayton International Airport	180	160	145	128	133	138	140	144	143	141
Water	257	260	267	245	237	218	232	164	246	373
Sewer	142	134	141	113	110	109	113	70	119	97
Golf	86	70	66	15	16	15	14	14	14	12
Storm Sewer	144	143	134	89	89	89	83	66	41	36
Total Full-Time Equivalent (FTE)	2,767	2,648	2,468	1,996	1,950	1,922	1,934	1,934	1,947	1,945

Source: City of Dayton ITS and Manangement & Budget

(1) Starting in 2007 the City included both Fulltime and Parttime employees in the calculation so that the total would match the number of employees on record.

(2) 2010 represents current employment at year-end

CITY OF DAYTON, OHIO

**SCHOOL ENROLLMENT TRENDS IN MONTGOMERY COUNTY
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>The University of Dayton (1)</u>	<u>Wright State University (2)</u>	<u>Sinclair Community College (3)</u>	<u>Total Colleges/ Universities</u>	<u>Dayton Public Schools (4)</u>
2007	10,395	16,913	22,443	49,751	14,963
2008	10,920	17,662	23,259	51,841	14,486
2009	10,908	17,558	25,249	53,715	14,939
2010	11,214	18,447	25,942	55,603	15,122
2011	10,776	18,304	25,223	54,303	15,166
2012	11,186	17,789	23,641	52,616	14,515
2013	10,857	17,595	22,884	51,336	14,505
2014	11,368	17,779	21,358	50,505	14,013
2015	11,271	18,059	18,452	47,782	14,060
2016	10,828	17,775	19,093	47,696	13,792

Source: (1) University of Dayton, Registrar's Office
 (2) Wright State University, Budget Planning & Resource Analysis
 (3) Sinclair Community College, Institute of Planning & Research
 (4) Dayton City School District PK - 12

CITY OF DAYTON, OHIO

**CITY OF DAYTON AND
MONTGOMERY COUNTY, OHIO
LAND AREA
DECEMBER 31, 2016**

<u>Jurisdiction</u>	<u>Square Miles</u>
Dayton	56
Less portion outside of Montgomery County.	
Other incorporated areas in Montgomery County excluding Dayton	174
Unincorporated Townships within Montgomery County	233
Total approximate area of Montgomery County	<u>463</u>

Source: Division of Planning City of Dayton (County Land Records)

CITY OF DAYTON, OHIO

**BUILDING PERMITS ISSUED
LAST TEN FISCAL YEARS**

Year	New Construction	
	Permits issued (1)	Valuation (1)
2007	843	\$ 135,523,498
2008	757	76,613,598
2009	793	111,538,280
2010	627	61,926,890
2011	624	76,837,017
2012	976	110,167,787
2013	1,020	71,059,409
2014	553	95,087,428
2015	591	83,727,498
2016	567	123,859,391

Source: (1) City of Dayton Division of Business Services, Permit Section.

CITY OF DAYTON, OHIO

**AVERAGE COST OF HOUSING CONSTRUCTION
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Units</u>	<u>Total Permit Value</u>	<u>Single-family average structure cost</u>	<u>% Change from previous year</u>	<u>% Change from 2007</u>
2007	134	\$ 12,431,781	\$ 92,774	-10.56%	-10.56%
2008	150	11,491,562	76,610	-17.42%	-17.42%
2009	123	11,114,593	90,363	17.95%	-2.60%
2010	27	3,823,530	141,612	56.72%	52.64%
2011	90	9,516,794	105,742	17.02%	13.98%
2012	153	13,518,608	88,357	-16.44%	-4.76%
2013	44	3,459,005	78,614	-11.03%	-15.26%
2014	7	629,989	89,998	14.48%	-2.99%
2015	63	8,518,038	135,674	50.75%	46.24%
2016	37	4,280,000	115,676	-14.74%	24.68%

Source: Census Bureau

CITY OF DAYTON, OHIO

**OPERATING INDICATORS AND CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Service										
Highways and Streets										
Streets (miles) **	969	1,718	1,718	1,718	1,718	1,718	1,718	1,718	1,719	1,719
Streetlights	18,650	20,163	20,163	20,252	20,235	20,391	20,427	19,720	19,720	19,976
Traffic Signals	325	325	325	325	313	313	314	320	316	316
Computerized Signals	225	275	275	275	275	275	314	320	316	316
Public Safety										
Police										
Headquarters	1	1	1	1	1	1	1	1	1	1
Training Academy	1	1	1	1	1	1	1	1	1	1
Number of Districts	5	5	5	5	5	5	5	5	5	7
Number of Employees	512	505	474	455	385	413	409	405	410	397
Fire										
Headquarters	1	1	1	1	1	1	1	1	1	1
Training Academy	1	1	1	1	1	1	1	1	1	1
Fire Stations	12	12	12	12	12	12	12	12	12	12
Number of Employees	383	379	346	341	332	308	314	318	327	318
City Fleet (public safety)										
Fire	99	96	97	94	99	108	84	88	91	88
Police	354	354	307	320	324	314	304	289	291	290
Recreation and parks										
Parks Acreage	1,389	1,389	1,374	1,374	1,374	1,374	1,374	1,374	1,374	1,374
Playgrounds	49	49	42	42	42	42	42	42	39	25
Total Facilities *	221	205	184	181	181	180	181	170	162	187
Parks	72	62	60	60	60	60	60	60	60	63
Swimming Pools	8	3	4	5	4	4	4	4	4	4
Tennis Courts	65	65	63	63	63	63	63	50	41	41
Community Centers	2	2	-	3	3	3	3	3	3	-
Senior Centers	1	1	1	1	-	-	-	-	-	-
Athletic Complexes	2	2	2	2	2	2	2	2	2	2
Specialized Facilities	1	1	-	-	-	-	1	1	1	1
Shelter Houses	53	53	37	37	37	37	37	36	37	62
Golf Courses	3	3	3	3	3	3	3	3	3	3
Spray Park Facilities	7	7	6	6	7	7	7	7	7	7
Recreation Centers	4	4	5	-	-	-	-	3	3	3
Cultural Centers	2	1	2	-	1	1	1	1	1	1
Teen Centers	1	1	1	1	1	-	-	-	-	-
Water										
Water Mains (miles)	803.07	803.33	804.29	806.12	807.03	806.61	807.03	807.03	807.26	847.65
Maximum Daily Capacity (millions of gallons)	51.60	46.53	43.79	43.82	43.21	44.30	41.00	42.00	43.20	43.20
Sewer										
Sanitary Sewers (miles)	601.39	602.85	603.11	603.05	603.18	603.27	603.40	603.40	730.00	730.00
Storm Sewers (miles)	402.85	403.35	403.61	403.62	403.67	403.67	403.67	403.67	576.60	576.60
Maximum Daily Capacity (millions of gallons)	35.97	35.06	32.61	33.72	33.03	29.80	28.69	28.33	28.33	28.33

Source: Various Departments, City of Dayton

* 2007-2016 Recreation facilities include only those that were operational in a calendar year

N/A - Information not available

**Prior to 2008, straightline miles mode of measurement was used. After 2008, the mode of measurement was in Lane miles.

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We acknowledge the following Financial Services Personnel in the preparation of the Comprehensive Annual Financial Report. Fiscal Year Ended December 31, 2016

C. LaShea Lofton	Finance Director
Bejoy C. John	Deputy Finance Director
Valerie Henderson	Financial Service Supervisor

Kena Brown	Sr. Financial Analyst
Saleh Asumani	Financial Analyst I
Vetrice Nickson	Financial Analyst I
Jeffrey Marshall	Financial Technician II
Jennifer Hill	Support Staff
Chatan Robinson	Support Staff
Terrie Veal	Support Staff
Louisa Okwudibonye	Intern

Shelley A. Dickstein	City Manager
Tammi L. Clements	Deputy City Manager
Joseph Parlette	Deputy City Manager

Appreciation is extended to our consultant, Julian and Grube, Inc. for their assistance on this project.





The Department of Finance - Mission Statement

The Department of Finance provides accurate, efficient, and quality financial services in a systematic and professional manner. We are a customer focused TEAM that thrives in an environment of continuous improvement.

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